

**SAMPLE CONTENT**



**PRECISE**

# **ORGANIZATION OF COMMERCE & MANAGEMENT**

**STD. XI**



**Target** Publications<sup>®</sup> Pvt. Ltd.

Precise

# ORGANISATION OF COMMERCE & MANAGEMENT

Std. XI

Maharashtra State Board

## Salient Features:

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- ☞ Exhaustive content coverage in Question and Answer format
- ☞ Replete with practical and real-life examples
- ☞ Each chapter contains:
  - 'Smart Codes' to memorise answers
  - Questions are answered in a detailed, point-wise format as per chapter flow
- ☞ Includes Important Feature to elucidate the concept: ***For Your Understanding***
- ☞ Q.R. codes provide:
  - The Video/pdf links boosting conceptual retention
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## PREFACE

Target's 'Precise Organisation of Commerce & Management (OCM): Std. XI' is a book curated to help students study precisely for their final exams. The book is replete with practical examples that will instill a conceptual understanding within students as they study from it.

This book covers answers to all textual questions. Additionally, we have included extra questions in each lesson to ensure comprehensive topic coverage and to provide more practice. Throughout this book, questions are answered in a detailed, point-wise format, which is exactly how students are expected to write their answers in the exam. Multiple objective-type questions are also included to help students get sufficient practice with all types of questions.

We have incorporated 'Smart Codes' to facilitate easy answer recall. The 'For Your Understanding' section provides the necessary conceptual clarity to understand particular points. We are confident that students, parents, and teachers alike will appreciate our value proposition, content quality, and presentation.

Publisher

**Edition:** Second

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- Note:**
1. All textual questions are represented by (T) mark.
  2. At the start of each chapter, we have provided a chapter index to enable the students to get an overview of the chapter.

Scan the adjacent QR Code to know more about our **“Supplementary Questions Book”** for Std. XI (Comm). Get sufficient practice of all objective questions across all subjects.



Sample Content

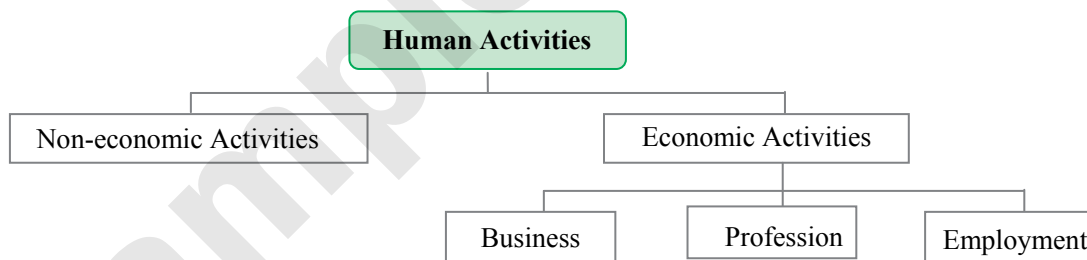
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2.	Define business. Explain its features. (T)			
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### Q.1. Answer the following questions

#### 1. State the types of human activities. T

**Ans:** Human beings keep themselves busy and do some activity throughout their life. All activities performed by them can be classified as economic and non-economic activities.



#### 1) NON-ECONOMIC ACTIVITIES

**Meaning:** It refers to those human activities which are performed to satisfy personal, social, religious, cultural and sentimental requirement without monetary expectations.

**Example:** Reading books, serving people, cooking by mother etc.

#### 2) ECONOMIC ACTIVITIES

**Meaning:** It refers to actions that involve production, distribution and consumption of goods and services at all levels within a society. The economic activities facilitate earning livelihood. In simple words, economic activities are undertaken to earn money.

**Example:** Worker working in a factory, officer working in a bank etc.

#### 2. Define business. Explain its features. T

**Ans:** Business is one of the economic activities performed by human beings. It enables them to earn livelihood or money.

##### MEANING

- 1) Business represents organised efforts by an individual or group of individuals.
- 2) It is a systematic attempt by business persons to produce goods and services and sell them in the market, with a view to earn the reward in the form of profit.



- i. **Production:** It actually means making of (manufacturing or producing) goods. Goods can be produced with manpower or with the help of machines or both. It may be agricultural product or finished goods produced in factories. E.g. Cultivating piece of land and growing food grains is an example of agricultural production. However, converting oil seeds into edible oil with the help of manpower and machines is an example of manufacturing the goods.
  - ii. **Distribution:** It includes marketing of goods and services. Distribution involves transport, warehousing, advertising. All these activities facilitate transfer of goods from producer to the final consumer.
- 3) Business satisfies multiple and complex needs of the society.

#### DEFINITION

- 1) According to Prof. Haney, “Business activities are all those human activities which are directed towards the production and processing of wealth”
- 2) According to Prof. Pride, Hughes and Kapoor, business refers to “the organised efforts of individuals to produce and sell for a profit, the goods and services that satisfy society’s needs.”

#### CHARACTERISTICS/ FEATURES OF BUSINESS

##### SMART CODE

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D

- 1) **TWO PARTIES**  
Every business transaction involves an exchange (of goods and services) and **minimum two parties are required for exchange**, i.e., the seller and the buyer. Business transaction is a result of an agreement between the buyer and the seller. The agreement may be oral or written.
- 2) **OVERALL RETURNS ARE UNCERTAIN**  
In business, the returns are never guaranteed. Businessman **may earn profit or suffer a loss** and hence, returns from business activities are always uncertain.
- 3) **PROFIT MOTIVE**  
The basic purpose of business is to earn the profit from its activities. Businessmen **try to maximize their profits** through increasing the volume of sales or reducing costs. Profit is the spine of business, which keeps the business going on in the long-term. The amount of profit may differ from business to business.
- 4) **PRODUCTION OF GOODS AND SERVICES**  
Before exchanging the goods and services, they should be produced by the business enterprise. In other words, businessmen **either manufacture the good themselves or procure (acquire) it from the supplier**, with the aim of selling it further to consumers for earning profit.
- 5) **EXCHANGE OF GOODS AND SERVICES**
  - i. Business involves transfer (exchange) of goods and services directly or indirectly for money or money’s worth.
  - ii. **Monetary exchange** is the exchange of goods & services with money (E.g. Buying notebook for cash) whereas **barter exchange** involves exchanging goods and services for some other goods and services. (E.g. Wheat is exchanged for rice).
  - iii. If goods are produced for own consumption, (E.g. Stitching a dress for daughter), it is not considered as a business activity. When goods are produced for selling it to consumers with a view to earn profit, it is a business activity (E.g. Stitching a dress in tailoring shop and taking stitching charges for it).
  - iv. Similarly, if goods are donated or given as gift then it cannot be considered as business activity as it does not involve exchanging goods for money/ money’s worth.
- 6) **RISK ELEMENT**  
Risk is the key element of every business. Every business has **some or the other risk due to possibility of occurrence of unfavourable or undesirable event**. Certain factors are beyond the control of businessmen. E.g. Changes in consumer tastes, likes/dislikes of consumers, fashions, changes in methods of production, fire, theft, natural calamities, government policy etc. No business is free from such risks/factors. Although intensity of risks can be minimized, business risks can’t be completely avoided.
- 7) **ECONOMIC ACTIVITY**  
Business is an economic activity since it is **undertaken to earn money or livelihood**. In other words, business is not performed for the sake of love, affection, feelings, sentiments etc.

8) **C**ONTINUITY IN DEALINGS

Every business **requires regularity in transactions**. One single transaction does not constitute business. E.g. if a person sells his own motor car and earns profit, then it will not be considered as business activity. However, if he is a car dealer who sells and purchases cars regularly, then it constitutes a business activity (on account of continuity in such deals).

9) **C**USTOMER SATISFACTION

Customer satisfaction is the ultimate aim of all economic activities and business is not an exception to it. **Modern business believes in satisfying the customers** by providing quality products and services at reasonable price. In simple words, the purpose of the business is to create and retain the customers.

10) **D**EALINGS IN GOODS AND SERVICES

In the absence of goods and services, business cannot take place. In other words, **every type of business transaction is concerned with either goods or services**. The goods are consumer goods (E.g. tea, milk, pencil) or capital goods (E.g. machinery, plant, furniture). The business dealing can either be with an individual (B to C) or with another business (B to B).

3. State any four features of profession. T

**Ans:** Profession is one of the economic activities performed by human beings.

**MEANING**

- 1) Profession is that part of economic activities under which a person uses his educational knowledge and special skills to render services for earning some income.
- 2) E.g. Doctor, Lawyer, Chartered Accountant etc. use their domain knowledge and skills to render services to clients and earn fees (money) in exchange.

**FEATURES OF PROFESSION****SMART CODE**

M C Q

R A N<sup>2</sup>1) **M**ONETARY (FINANCIAL) RETURNS

**Professionals get fees in exchange of their services**. Income received by professional is not fixed. Professionals can be employed in an organisation or be self-employed. A working chartered accountant gets salary but those who practice privately, i.e. self-employed get fees.

**FOR YOUR UNDERSTANDING**

Sam is a Chartered Accountant. He works in the Reliance Capital Ltd. and gets fixed salary every month in exchange of services provided to the company. On the other hand, his friend John, who is also a CA, practices privately. His client base changes over time. Hence, total fees that he gets from all his clients also varies with time and hence, John's income is not fixed.

2) **C**APITAL

Profession **can be practiced independently or professionals can accept the job** in any organisation. Independent practicing professional requires capital for setting his practice as per their profession. So, it **differs from profession to profession**. E.g.: A doctor who wants to set up his own practice will have to invest in buying/renting space for clinic, basic infrastructure & furniture, equipment etc.

3) **Q**UALIFICATION

Any profession **can be practiced only after acquiring required qualifications**. Each profession has a certain set of body of knowledge. One cannot practice a profession unless this knowledge is acquired. The knowledge must be acquired through systematic and formal training.

4) **R**EGISTRATION AND MEMBERSHIP

Some professions have a council which regulates the activities of professionals. (E.g. Bar Council of India for lawyers, ICAI for chartered accountants, Indian Medical Association for doctors etc.) **The professionals have to register themselves with their respective councils and get certificate of practice**. The code of conduct mentioned by the respective councils must be strictly followed by every professional. **Every practicing professional must acquire membership from the respective council**.





- 5) **AIM**  
Every profession is **practiced for earning money**. The professionals such as doctors/ lawyers render services to their clients and solve their problems. In return, they get monetary reward in the form of fees.
- 6) **NON-TRANSFERABILITY**  
It is **not possible to transfer** the profession to other person on the will of professional. E.g. A doctor cannot transfer his medical practice to his son who has not completed required medical education.
- 7) **NATURE OF WORK**  
The professionals offer expert services related to their field and charge fees in exchange. The **nature of work depends on the concerned educational knowledge and special skill set** of the particular profession. E.g. An architect designs the layout of office for fees.

#### 4. State any four features of employment. T

**Ans:** Employment is one of the economic activities performed by human beings. It enables them to earn livelihood or income.

##### MEANING

- 1) Employment is an economic activity in which people work for others.
- 2) There exists employer-employee relationship in this economic activity.
- 3) Employer is the person who offers the job.
- 4) Employee is the person who accepts the job.
- 5) Remuneration and terms & conditions are agreed by both, employer and employee.

##### FEATURES OF EMPLOYMENT

###### SMART CODE

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- 1) **MONETARY RETURNS**  
Employees get monetary (financial) returns after completion of work in the form of **wages or salaries**. Wages are paid on daily or weekly or monthly basis. Salary is paid monthly. These financial returns are decided in advance before the appointment of employees. Along with salary, employees may also be provided with other benefits such as bonus, quarters to stay, subsidized food in canteen etc.
- 2) **CAPITAL**  
The employer provides employees with all the required facilities and resources to complete the job. Hence, **no capital is invested by employee. It is solely invested by the employer.**
- 3) **QUALIFICATIONS**  
**Each job requires some qualification.** Skilled or unskilled labour is required as per the nature of job. In case of skilled job, some specific qualifications are required. E.g. Job of nurse requires completion of concerned nursing course. On the other hand, no specific qualification is essential for unskilled jobs. E.g. Job of office boy may not require completion of specific course or degree.
- 4) **REGISTRATION**  
**No registration is required** in case of employment. Every employee has to follow the rules and regulations mentioned in the terms and conditions of employment contract.
- 5) **AIM**  
The main aim of this economic activity is to **earn money**, for meeting needs of the employees and employers.

#### FOR YOUR UNDERSTANDING

Suppose, Rina is an entrepreneur who has opened her boutique. She has employed two tailors, three sales girls and one cashier as employees in her boutique. Rina aims to earn money by selling designer outfits. At the same time, she pays salary to all her employees (for services rendered by them), which enables employees to meet their needs.

- 6) **NON-TRANSFERABILITY**  
It is **not possible to transfer** the employment from one person to another. E.g. If a teacher retires, then he cannot transfer his job to his son or daughter.

7) **NATURE OF WORK**

The nature of work in case of employment **varies in accordance with the nature of job**. Every employee is expected to complete the work which is given to him in this type of economic activity.

5. **Describe various objectives of a business.**

T

**Ans:** Business represents organised efforts by an individual or group of individuals. It is a systematic attempt by business persons to produce goods and services and sell them in the market. All business activities are guided by certain objectives. The various business objectives can be explained as follows:

**ECONOMIC OBJECTIVES**1) **EARNING PROFIT**

All business activities are undertaken with a view to earn profit. Profit is the excess of revenue over cost. The profit is required for survival and growth of the business.

2) **SEARCHING NEW CUSTOMERS**

Business organisations work hard to create new customers. It enables them to expand their sales. The organisations also aim to maintain their existing customer base.

3) **INNOVATIONS**

It refers to development or positive changes in the production techniques or the products. The business organisation has to spend on research and development (R & D) activities, market survey, use of advanced technology etc. in order to stimulate innovation. Innovations result in the improvement in product or process of production and contributes to organisational growth.

4) **BEST POSSIBLE USE OF RESOURCES**

Resources are scarce and have alternative uses. Hence, resources should be put to their best possible use and efforts need to be taken to avoid wastages. Optimum use of resources ultimately contributes to increasing profits of the businesses.

**SOCIAL OBJECTIVES**1) **SUPPLYING QUALITY PRODUCTS**

Every business has to provide quality products to customers. Quality means a combination of purity, safety, durability, utility etc. The good quality of products develops trust and confidence in the minds of consumers.

2) **AVOIDING UNFAIR TRADE PRACTICES**

Unfair trade practices such as black marketing, misleading advertisements, wrong measurement etc. should be avoided for ensuring the survival and growth of a business unit.

3) **EMPLOYMENT GENERATION**

Business is a socio-economic institution. Hence, it should create jobs for skilled and unskilled people. The business should provide employment opportunities to economically backward and divyang (differently abled) persons.

4) **WELFARE OF EMPLOYEES**

The business should provide its employees with fair and regular remuneration, good working conditions, impartial personnel policies, incentives etc. Skilled and unskilled workers are the part of the society. Hence, if employees are properly taken care of, it ultimately brings welfare to the society.

5) **HELP TO SOLVE SOCIAL PROBLEMS**

Many social problems such as traffic jams, growth of slums, air and water pollution etc. arise on account of rapid industrialization. Business should be aware of these problems and should try to reduce them.

6) **CONTRIBUTING TO THE WELFARE OF SOCIETY**

Business house should take care of general welfare of the society. For this purpose, they should give donations for good cause, offer scholarships for higher education etc.

6. **Explain the importance of profit in business.**

T

**Ans:** Business represents organised efforts by an individual or group of individuals. It is a systematic attempt by business persons to produce goods and services and sell them in the market, to earn the reward in the form of profit. **Profit is the excess of revenue over cost**. Every business operates with an aim to earn profits.

$$\text{Profit} = \text{Revenue} - \text{Total cost}$$



The role of profit in business can be explained as follows:

**1) RETURNS TO INVESTORS**

The people who invest money in the business expect fair returns on their capital. This is possible only if adequate profits are earned by business. In simple words, profits ensure that investors receive fair returns.

**2) RESEARCH AND DEVELOPMENT (R & D)**

Adequate profit enables a firm to spend more on R & D activities. This can lead to better technology and lower costs. Further, innovative products developed due to R & D benefit the whole nation.

**3) GROWTH AND EXPANSION**

Profit is the internal source of funds. The businesses reinvest their profits for increasing the volume of business through expansion and diversification. It contributes to further development of the business.

**4) INCREASES EFFICIENCY**

Profits enables business organisations to pay various dues on time. It also motivates the employees working in the organisation. This finally contributes to increase in the overall organisational efficiency.

**5) MEANS OF LIVELIHOOD**

Profit is the means of livelihood for businessmen. Earning sufficient profits enables them to fulfil their various wants and live a decent standard life.

**6) REWARDS FOR RISKS**

Profit is considered as a reward for assuming several business risks. Profits also serves as a protection against those risks which cannot be insured. E.g. Fall in demand, adverse government policy etc.

**7) SURVIVAL**

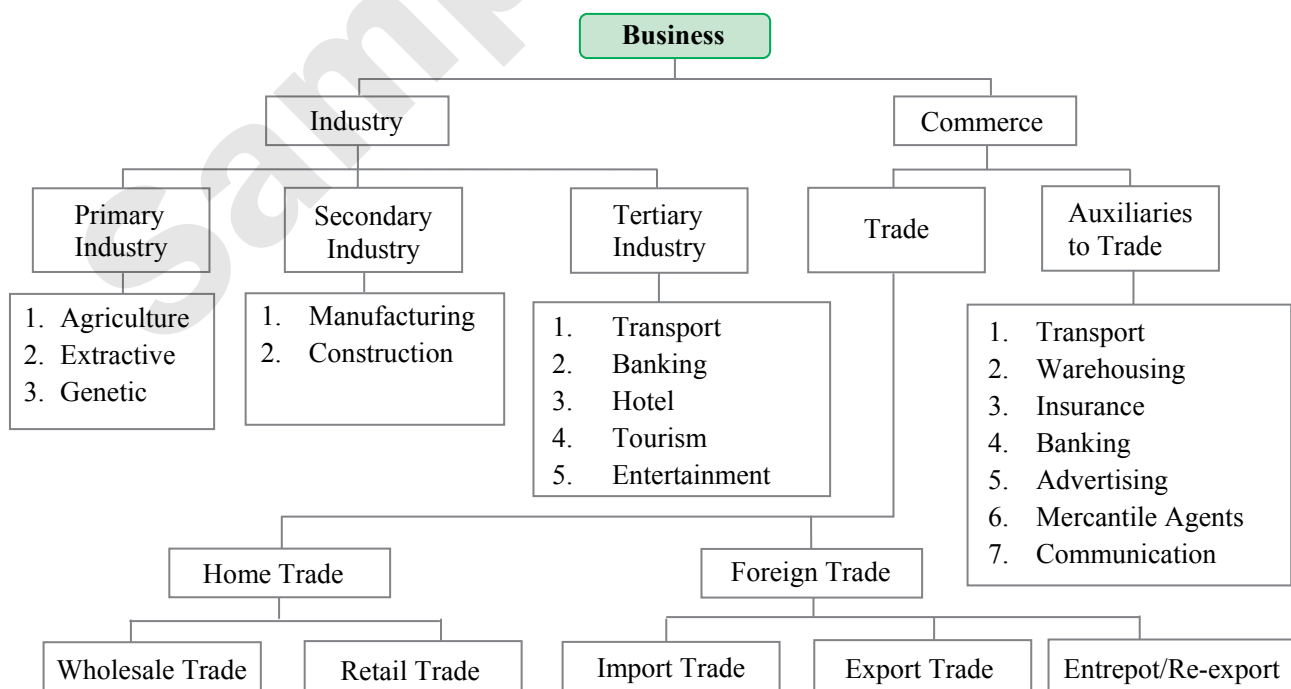
Profit helps the business to continue to exist (survive) in the competitive market environment. E.g. A profit making firm can invest heavily in R & D and come up with innovative products, it can hire good people, it can market its products well etc. It enables the firm to gain competitive edge over rivals. In the absence of sufficient profits, business will not be able to survive in growing competitive environment.

**7. Explain the two broad categories of business activities.**

**Ans:** Business represents organised efforts by an individual or group of individuals. It is a systematic attempt by business persons to produce goods and services and sell them in the market, with a view to earn the reward in the form of profit.

**CLASSIFICATION OF BUSINESS ACTIVITIES**

**Note:** It is advisable to memorize the chart given below to be able to answer your objective questions easily and also to understand the balance chapter in a better manner.





Business activities may be broadly classified into two categories; namely, industry and commerce. Industry is concerned with production of goods and providing services, while commerce is mainly concerned with their distribution. Both of these categories can be explained as follows:

### 1) INDUSTRY

**Meaning:** The meaning of the term 'industry' can be explained in two ways:

- i. Industry implies the economic activities that are associated with the **conversion of resources into goods that are ready for use**. E.g. Production and processing of goods, mining, construction etc. The goods produced may be consumer goods (directly consumed by final consumer) or capital goods (used by another industry for further production of goods).
- ii. The term 'industry' also means group of firms producing similar or related goods. E.g.: Sugar industry refers to all manufacturing units producing sugar for sugarcane.

**Location:** Industrial activities are conducted in factories, workshops, sheds or even sometimes at home. It all depends on the size of industry.

**Utility:** Industry creates form utility. It converts the raw material into usable finished products. All this is possible with manpower, machine power and large capital investment.

**Components:** Industries can be divided into three broad categories: Primary industry, Secondary industry and Tertiary industry. These industries are further divided into various types.

**Note:** Form utility is a utility created through altering the physical appearance of a good.

### 2) COMMERCE

**Meaning:** Commerce is that part of business activity which is concerned with **distribution of goods and services produced by industry**. It includes all those activities which are essential for maintaining a free and uninterrupted flow of goods.

**Utility:** Commerce bridges the gap between producers and consumers by exchange of goods and services for money or money's worth.

**Components:** Commerce is further divided into trade and auxiliaries to trade. The trade is further divided into various types on the basis of whether it is home trade or foreign trade.

## 8. State any two types of industries. T

**Ans:** Business activities may be broadly classified into two categories; namely, industry and commerce. Industry is concerned with production of goods and providing services. Industries can be divided into three broad categories which are as follows:

### 1) PRIMARY INDUSTRY

It is a **nature-oriented industry**. The products of primary industry may be used as the input of secondary industry. Primary industries are of three types. These types are as follows:

- i. **Agriculture industry:** This includes farming and cultivation of land. The quality of products depends on many factors such as fertility of land, climatic conditions, rainfall etc.
- ii. **Extractive industry:** Extractive industries are engaged in drawing out products from natural resources, i.e. soil, air and water. E.g. Extracting oil and minerals from underground, fishing etc. Generally, the products are in raw or crude form. They are used by manufacturing and construction industries for producing finished products. The products in crude form may be sent to other industries for further processing.
- iii. **Genetic industry:** Genetic industries are engaged in reproduction and multiplication of plants and animals. E.g. Animal husbandry, sericulture, horticulture etc.

### 2) SECONDARY INDUSTRY

These industries **convert the raw material provided by primary industry into finished products**. Hence, they depend on primary industries. E.g. Tomatoes provided by primary industry are used for making sauce and ketchup. Secondary industries are of two types. These types are as follows:

- i. **Manufacturing industry:** These industries are engaged in transforming raw material (provided by primary industry) into finished products with the help of machine and manpower. The final goods may be capital goods or consumer goods. E.g. Textiles, sugar, paper industry etc.
- ii. **Construction industry:** These industries are engaged in the construction of buildings, dams, bridges, roads, tunnels, canals, metro etc. Unlike other industries, construction is the only industry which creates immovable wealth. This is because goods made and sold by this industry are at one place. In case of other industries, it is possible to produce goods at one place and sell them at another place.



### 3) TERTIARY INDUSTRIES

These industries **provide support services to primary and secondary industries**. In simple words, tertiary industries provide various service facilities to other industries. The services include transport, banking, etc. under traditional category whereas in modern times, hotel industry, tourism industry, entertainment industry etc. are also included in this industry.

## 9. Explain the concept of trade.

**Ans:** Commerce is that part of business activity which is concerned with distribution of goods and services produced by industry. Commerce is further divided in trade and auxiliaries to trade.

### MEANING OF TRADE

Trade is an **exchange of goods and services with money or money's worth**. In other words, it denotes buying and selling of goods and services. Trade facilitates transfer of ownership and possession of goods and services from seller to the buyer. With trade, goods are made available to consumers in different markets.

### CLASSIFICATION OF TRADE

Trade is classified into home/ internal trade and foreign/ external trade. It is further divided into various categories. The classification of trade can be explained as follows:

#### 1) HOME TRADE/ INTERNAL TRADE

When trade (buying and selling of goods and services) takes place **within the geographical boundaries** of a country, it is known as home or internal trade. It uses local currency for the exchange of goods and services. It is further divided as follows:

- i. **Wholesale trade:** In wholesale trade, goods are purchased and sold in bulk. A wholesaler purchases large quantities from the producers and sells in small quantities to the retailers. A wholesaler is the link between the producer and the retailer.
- ii. **Retail trade:** It is associated with the sale of goods to the final consumers. A retailer is the one who purchases goods from the wholesaler (or sometimes directly from the producer) and sells them in smaller quantities to final consumer. Retailer is the link between wholesaler (or sometimes manufacturer) and ultimate consumers.

#### 2) FOREIGN TRADE/ EXTERNAL TRADE

When trade takes place **between different countries**, it is known as foreign or external trade. When boundaries of two countries are crossed, then different currencies are used. In simple words, this type of trade involves the use of foreign currency. It is further divided as follows:

- i. **Import trade:** When goods and services are purchased from another country, it is called as import trade. E.g. India imports (purchases) crude oil from Saudi Arabia.
- ii. **Export trade:** When goods and services are sold to buyers in foreign country, it is called as export trade. E.g. India exports (sells) raw cotton to China.
- iii. **Entrepot trade:** It is the combination of import and export trade. It involves importing the goods from one country and then reselling these goods to another country. E.g. Indian seller importing goods from Japan and then re-exporting the same goods to Africa is an example of entrepot trade.

## 10. State the role of auxiliaries to trade in trading activities. T

**Ans:** Commerce is that part of business activity which is concerned with distribution of goods and services produced by industry. Commerce is further divided in trade and auxiliaries to trade.

### MEANING OF AUXILIARIES TO TRADE

Auxiliaries to trade or aids to trade refers to **all those activities that facilitate smooth flow of goods** from manufacturing centres to the consumption centres. They help in removing hindrances that arise during the production and distribution of goods and services. In simple words, auxiliaries to trade play supportive role to ensure smooth trading activities.

Following are various auxiliaries to trade:

#### 1) TRANSPORT

The goods are produced at one place while they are demanded over a wider geographical area. Hence, it is required to send goods to different places where they are demanded. Modes of transport facilitates movement of men and materials from one place to another.

**Note:** Transport creates place utility. Place utility is a utility created through availability of good or service at a particular place.

#### 2) WAREHOUSING

There is a time gap between production and consumption. This is because certain goods are produced throughout the year but consumed only in a particular part of the year and vice versa.



**E.g.:**

- i. Umbrellas are manufactured throughout the year but mainly demanded during rainy season.
  - ii. Mangoes are produced only in one season but are demanded throughout the year.
- Therefore, it is important to store the goods carefully from the time of production to the time of sale. Further, special arrangement must be made to prevent the loss or damage. Warehousing makes it possible to store the goods properly and hence, creates time utility. Warehouses are also called 'godowns'. Due to warehousing facilities, prices of goods are maintained at reasonable level as these facilities ensure that there is continuous supply of goods and services to satisfy the demand. In today's era of mass production, storage is vital for any business. Warehousing helps to meet this function of the business.

**Note:** Time utility is utility created through availability of good/service at particular time.

**3) INSURANCE**

There are various risks involved in the business. E.g. goods may be destroyed while in production process/transit (due to accidents)/ in storage (due to fire or theft) etc. The businessmen prefer to cover these risks, i.e., protect themselves from such risks with the help of insurance. Businessmen insure their goods by paying regular premiums as per their insurance policy. In return, insurance companies undertake to compensate the loss suffered due to such risks. Although risks cannot be avoided completely, they can be minimized with insurance.

**4) BANKING**

Money is required for starting the business as well as for running it. Banks provide businessmen with adequate and timely finance (money). They provide loans, overdraft, cash credit etc. to businessmen. Banks also provide other services such as cheques, drafts, debit cards, credit cards, online transactions etc. All these banking facilities helps in smooth functioning of business activities/ trade.

**5) ADVERTISING**

Advertising is effective aid in selling the goods. The producer can communicate all information about goods and services with the help of advertisements. It helps to create a strong desire in minds of consumers to buy the products. Advertising activities can be indoor and outdoor. Communicating with the people when they are in their homes is called indoor advertising. (E.g. newspaper, radio, TV etc). Communicating with people when they go out from their homes is called as outdoor advertising. (E.g. posters, hoardings at prominent places, neon sign board, advertisement behind buses etc). Advertising influence consumers to buy the products and hence, stimulates trade.

**6) MERCANTILE AGENTS**

It is not possible for seller to contact all the customers since they are scattered over a very wide area. This difficulty is solved by mercantile agents. These agents bridge the gap between buyer and seller. Brokers, estate agents, wholesales, retailers etc. are some examples of mercantile agents.

**7) COMMUNICATION**

In today's world, there is information explosion. The different market participants such as traders, producers and consumers need to communicate information among themselves. They are able to exchange information through various means of communication such as cell phones, postal services, email etc.

**11. Give comparative analysis of business, profession and employment.**

**T**

**Ans:**

Business	Profession	Employment
<b>1) Meaning</b>		
Business is a systematic attempt by business persons to produce goods and services and sell them in the market, with a view to earn the reward in the form of profit.	Profession is that part of economic activities under which a person uses his educational knowledge and special skills to render services for earning some income.	Employment is an economic activity in which people work for others.
<b>2) Reward/ Return</b>		
Businessmen earn profit.	Professional charges fees for providing expert services.	An employee receives wages or salary.
<b>3) Capital investment</b>		
Capital investment depends on size and nature of business.	Limited capital investment is required, except for the self-employed professionals.	No capital investment is necessary. The employer provides all facilities and resources to employees.



4) Nature of work		
It provides goods and services to the public.	It renders personalized expert services.	Employees perform the work as per their service contract.
5) Qualification		
No minimum qualification is prescribed.	Expert knowledge and training in a particular field is needed.	It is prescribed by the employer.
6) Decision making		
Businessmen are free to take the decisions.	Professionals take expert decisions in their profession.	Employees only take decisions related to their work.
7) Risk		
Profit is uncertain and irregular. Hence, there is high risk in business.	Fees are generally not certain and regular. Hence, profession involves certain degree of risk.	Fixed and regular pay is given by employer as per contract. Hence, no risk is involved.
8) Examples		
Builders, Printers, Book stores etc.	Doctor, CA, Lawyer etc.	Clerk, Teacher, Officers etc.



## Q.2. Distinguish Between: (T)

### 1. Industry and Commerce

Industry	Commerce
1) Meaning	
Industry implies the economic activities that are associated with the conversion of resources into goods that are ready for use.	Commerce is that part of business activity which is concerned with distribution of goods and services produced by industry.
2) Nature	
It is engaged in production of goods and services.	It is engaged in distribution of goods and services.
3) Location	
It is located in factories and workshops.	It is conducted in markets and offices.
4) Utility	
It creates form utility.	It creates place, time and possession utility.
5) Resources	
It uses machine and manpower.	It requires more manpower.
6) Capital	
Huge capital is required to start industry.	Commerce comparatively requires less capital.
7) Interdependence	
Industrial production is always for distribution purpose to earn profit.	Commercial activities cannot be started without the production of goods and services.
8) Conducted by	
Industrial activities are conducted by producers and manufacturers.	Commercial activities are conducted by traders, mercantile agents etc.
9) Status	
Industry is of primary importance.	Commerce is of secondary importance.
10) Classification	
It can be classified as primary, secondary and tertiary industry.	It can be classified into trade and auxiliaries to trade.
11) Market force	
It represents supply side of market.	It represents demand and supply side of market.

### 2. Business and Commerce

Business	Commerce
1) Meaning	
Business is a systematic attempt by business persons to produce goods and services and sell them in the market, with a view to earn the reward in the form of profit.	Commerce is that part of business activity which is concerned with distribution of goods and services produced by industry (business).



2) Concept	
It is a broader concept as it includes commerce.	It is a narrow concept as it is a part of business.
3) Skill	
It requires technical as well as marketing skills.	It requires only marketing skills.
4) Classification	
It is classified into industry and commerce.	It is classified as trade and auxiliaries to trade.

**3. Business and Profession**

Refer Q.1. – 11.

**4. Employment and Profession**

Refer Q.1. – 11.



**Objective Questions: (T)**

**(A) Select the correct answer from the options given below and rewrite the statements:**

- |   |                          |                  |                  |                       |
|---|--------------------------|------------------|------------------|-----------------------|
| 1. Monetary Returns in business is called _____.                      | a. fees                  | b. salary        | c. profit        | profit                |
| 2. A business unit depends upon _____ for selling its output.         | a. industry              | b. society       | c. employees     | society               |
| 3. National level code of conduct is prepared for _____.              | a. professionals         | b. businessmen   | c. employees     | professionals         |
| 4. A lawyer is _____.   | a. a professional person | b. a businessmen | c. an employee   | a professional person |
| 5. Raw material is converted into finished product by _____ industry. | a. genetic               | b. extractive    | c. manufacturing | manufacturing         |
| 6. Construction of dams is an activity done under _____ industry.     | a. primary               | b. secondary     | c. tertiary      | secondary             |
| 7. Commerce is a branch of _____.                                     | a. business              | b. industry      | c. trade         | business              |
| 8. Actual buying and selling of goods is known as _____.              | a. profession            | b. trade         | c. industry      | trade                 |
| 9. The problem of distance is solved by _____.                        | a. bank                  | b. transport     | c. warehousing   | transport             |
| 10. Warehousing creates _____ utility in goods.                       | a. place                 | b. time          | c. form          | time                  |

**(B) Match the pairs:**

Group 'A'		Group 'B'	
1.	Helping disabled person	a.	Social objective
2.	Genetic industry	b.	Foreign trade
3.	Local currency	c.	Sericulture
4.	Solve social problems	d.	Non-economic activity
		e.	Internal trade
		f.	Mining
		g.	Profit
		h.	Economic activity

- 1 – d
- 2 – c
- 3 – e
- 4 – a

**(C) Write a word or a term or a phrase which can substitute each of the following statements:**

- |   |                     |
|---|---------------------|
| 1. Human activities that are conducted for earning money.   | Economic activities |
| 2. A regular activity concerned with production and distribution of goods and services for profits. | Business            |
| 3. An occupation in which a person agrees to provide expert services for fees.                      | Profession          |
| 4. Name the business activity which is concerned with production of goods and services.             | Industry            |





5. The type of industries that create immovable wealth.
6. Name the business activity which is concerned with distribution of goods and services.
7. Buying and selling of goods against money or money's worth.
8. Activities that remove all the difficulties in trade.
9. The activity which provides mobility to men and material.
10. An aid to trade which creates time utility.

Construction industry
Commerce
Trade
Auxiliaries to trade/ Aids to trade
Transport
Warehousing

**(D) State whether the following statements are true or false:**

1. Business is an economic activity.
2. Every profession is practiced for earning money.
3. Profit leads to increase in overall efficiency of the organisation.
4. Industry creates form utility.
5. Primary industries are concerned with nature.
6. Plant nursery is an example of extractive industry.
7. Trade includes commerce.
8. Trade includes buying and selling of goods and services.
9. Retailer is the link between manufacturer and wholesalers.
10. Warehousing removes difficulty of time.

True
True
True
True
True
False
False
True
False
True

**(E) Find the odd one:**

**(Reason is given only for your understanding)**

**1. Agriculture industry, Extractive industry, Genetic industry, Manufacturing industry**

**Ans:** Manufacturing industry

**Reason:** The other words are types of primary industry while manufacturing industry is type of secondary industry.

**2. Tea, Milk, Coffee, Machinery**

**Ans:** Machinery

**Reason:** The other three words relate to primary industry while machinery relates to secondary industry.

**3. Import trade, Export trade, Wholesale trade, Entrepot trade**

**Ans:** Wholesale trade

**Reason:** The other words relate to foreign/ external trade while wholesale trade relates to home/ internal trade.

**4. Banking, Insurance, Transport, Manufacturing**

**Ans:** Manufacturing

**Reason:** The other words relate to tertiary industry while manufacturing relates to secondary industry.

**(F) Complete the sentences:**

1. Economic activities are those activities which are conducted to \_\_\_\_\_.
2. Business is an \_\_\_\_\_ activity.
3. \_\_\_\_\_ includes marketing of goods and services.
4. The basic purpose of \_\_\_\_\_ is to earn profit.
5. \_\_\_\_\_ is considered as a reward for assuming several business risks.
6. Professionals charge \_\_\_\_\_ in exchange of expert services.
7. \_\_\_\_\_ is the person who offers the work.
8. Industry creates \_\_\_\_\_ utility.
9. In \_\_\_\_\_ trade, goods are purchased and sold in bulk.
10. \_\_\_\_\_ is the link between wholesaler and customer.

earn livelihood/ money
economic
Distribution/ Commerce
business
Profit
fees
Employer
form
wholesale
Retailer



(G) Complete the following table:

Sr. No.	Group 'A'	Group 'B'
1.	Trade between different countries	_____
2.	Purchases of goods and services from another country	_____
3.	_____	Selling of goods and services to foreign customer
4.	_____	Link between producer and retailer

(Export trade, External trade, Wholesaler, Import trade)

Ans:

Sr. No.	Group 'A'	Group 'B'
1.	Trade between different countries	<b>Foreign trade (i.e. External trade)</b>
2.	Purchases of goods and services from another country	<b>Import trade</b>
3.	<b>Export trade</b>	Selling of goods and services to foreign customer
4.	<b>Wholesaler</b>	Link between producer and retailer

(H) Answer in one sentence:

1. **What is an economic activity?**

Ans: Economic activity refers to actions that involve production, distribution and consumption of goods and services at all levels within a society.

2. **What is non-economic activity?**

Ans: Non-economic activity refers to those human activities which are performed to satisfy personal, social, religious, cultural and sentimental requirement without monetary expectations.

3. **What is primary industry?**

Ans: Primary industry is a category of industry which is concerned with nature. It is a nature-oriented industry. E.g.: farming, extraction of oil & minerals, animal husbandry.

4. **What do you mean by genetic industry?**

Ans: Genetic industry is a type of primary industry which is engaged in reproduction and multiplication of plants and animals. E.g. Animal husbandry, sericulture, horticulture etc.

5. **What is secondary industry?**

Ans: Secondary industry is a category of industry which converts the raw material provided by primary industry into finished products. E.g. Tomatoes provided by primary industry are used for making sauce and ketchup.

6. **What do you mean by commerce?**

Ans: Commerce is that part of business activity which is concerned with distribution of goods and services produced by industry.

7. **What is trade?**

Ans: Trade means an exchange of goods and services with money or money's worth.

8. **What do you mean by wholesale trade?**

Ans: Wholesale trade is a type of trade in which a wholesaler purchases goods in large quantities (bulk) from the producers and sells in small quantities to the retailers.

9. **What is the meaning of retail trade?**

Ans: Retail trade is a type of trade in which the retailer purchases goods from the wholesaler (or sometimes directly from the producer) and sells them in smaller quantities to final consumer.

10. **What do you mean by import trade?**

Ans: When goods and services are purchased from another country, it is called as import trade. E.g.: India imports (purchases) crude oil from Saudi Arabia.

11. **What is the meaning of export trade?**

Ans: When goods and services are sold to buyers in foreign country, it is called as export trade. E.g. India exports (sales) raw cotton to China.

12. **What is an entrepot trade?**

Ans: Entrepot trade involves importing the goods from one country and then reselling these goods to another country. E.g.: Indian seller imports goods from Japan and then re-exports the same goods to Africa.



### 13. What is meant by auxiliaries to trade?

**Ans:** Auxiliaries to trade or aids to trade refers to all those activities that facilitate smooth flow of goods from manufacturing centres to the consumption centres.

#### (I) Correct the underlined word and rewrite the following sentences:

1. Business is non-economic activity.

**Ans:** Business is economic activity

2. The basic purpose of business is to provide services.

**Ans:** The basic purpose of business is to earn profit.

3. Capital is required for employment.

**Ans:** Capital is required for business.

4. Barter exchange is an exchange with money.

**Ans:** Barter exchange is an exchange with goods/ services.

5. Profession can be transferred to another person.

**Ans:** Profession cannot be transferred to another person.

6. Industry creates place utility.

**Ans:** Transport creates place utility.

7. Commerce represents supply side of market.

**Ans:** Industry represents supply side of market.



#### Explain the following terms/concepts: (T)

1. **Economic activity**

**Ans:** Economic activity refers to actions that involve production, distribution and consumption of goods & services at all levels within a society. The economic activities facilitate earning livelihood. Business, profession and employment are various forms of economic activities.

2. **Non-economic activity**

**Ans:** Non-economic activity refers to those human activities which are performed to satisfy personal, social, religious, cultural and sentimental requirement without monetary expectations. Example: Reading books, serving people, cooking by mother etc.

3. **Business**

**Ans:** Business is one of the economic activities performed by human beings. It represents organised efforts by an individual or group of individuals. It involves systematic attempt by business persons to produce goods and services (production) and sell them in the market (distribution), with a view to earn the reward in the form of profit.

4. **Profession**

**Ans:** Profession is that part of economic activities under which a person uses his educational knowledge and special skills to render services for earning some income (fees). E.g. Doctor, lawyer, chartered accountant etc. use their domain knowledge and skills to render services to clients and earn fees (money) in exchange.

5. **Employment**

**Ans:** Employment is an economic activity in which people work for others. There exists an employer-employee relationship in this economic activity. Employer is the person who offers the work while employee is the person who accepts the work. Remuneration and terms & conditions are agreed by both, employer and employee.

6. **Home trade**

**Ans:** When trade (buying and selling of goods and services) takes place within the geographical boundaries of a country, it is known as home or internal trade. This type of trade is conducted with local currency. Home trade is further divided into wholesale and retail trade.

7. **Foreign trade**

**Ans:** When trade takes place between different countries, it is known as foreign or external trade. When boundaries of two countries are crossed, then different currencies are used. Foreign trade is further divided into export, import and entrepot trade.



**Justify the following statements: (T)**

**1. Business is a part of economic activities.**

- Ans:**
- i. All activities performed by human beings can be classified as economic and non-economic activities.
  - ii. Economic activities refer to actions that involve production, distribution and consumption of goods and services at all levels within a society.
  - iii. The economic activities facilitate earning livelihood.
  - iv. Business is a systematic attempt to produce goods and services (production) and sell them in the market (distribution), with a view to earn the reward in the form of profit (earning money/ livelihood).
  - v. Hence, business is a part of economic activities.

**2. Risk is inevitable in business activities.**

- Ans:**
- i. Risk is the key element of every business.
  - ii. Every business has some or the other risk due to possibility of occurrence of unfavourable or undesirable event.
  - iii. Certain factors are beyond the control of businessmen. E.g. Changes in consumer tastes, likes/dislikes of consumers, fashions, changes in methods of production, fire, theft, natural calamities, government policy etc.
  - iv. No business is free from such risks/ factors.
  - v. Although intensity of risks can be minimized, business risks can't be completely avoided.
  - vi. Hence, risk is inevitable in business activities.

**3. Industrial activities take place before commerce starts its role.**

- Ans:**
- i. Business activities may be broadly classified into two categories; namely, industry and commerce.
  - ii. Industry is concerned with production of goods and providing services.
  - iii. Commerce is that part of business activity which is concerned with distribution of goods and services produced by industry.
  - iv. The distribution of goods and services (commerce) can take place only after their production (industry).
  - v. Hence, industrial activities take place before commerce starts its role.

**4. Commerce is a wider term than trade.**

- Ans:**
- i. Business activities may be broadly classified into two categories; namely, industry and commerce.
  - ii. Commerce is that part of business activity which is concerned with distribution of goods and services produced by industry.
  - iii. Commerce is further divided in trade and auxiliaries to trade.
  - iv. Trade is an exchange of goods and services with money or money's worth. It denotes buying and selling of goods and services.
  - v. Trade is a part of commerce.
  - vi. Hence, commerce is a wider term than trade.

**5. Wholesaler is a link between retailer and manufacturer.**

- Ans:**
- i. Wholesale trade is one of the types of home or internal trade.
  - ii. In wholesale trade, goods are purchased and sold in bulk.
  - iii. A wholesaler purchases goods in large quantities from the producers and sells in small quantities to the retailers.
  - iv. Hence, wholesaler is the link between the producer and the retailer.

**6. Retailer is in direct contact with ultimate consumers.**

- Ans:**
- i. Retail trade is one of the types of home or internal trade.
  - ii. A retailer is the one who purchases goods from the wholesaler (or sometimes directly from the producer) and sells them in smaller quantities to final consumer.
  - iii. Retailer is the link between wholesaler to the ultimate consumers.
  - iv. The consumers visit the retail outlet and purchase the goods from the retailer.
  - v. Hence, we can say that retailer is in direct contact with ultimate consumers.

**7. Combination of import-export trade is entrepot trade.**

- Ans:**
- i. Import trade, export trade and entrepot trade are the various types of foreign or external trade.
  - ii. When goods and services are purchased from another country, it is called as import trade.
  - iii. When goods and services are sold to buyers in foreign country, it is called as export trade.



- iv. Entrepot trade involves importing the goods from one country and then reselling these goods to another country.
- v. Hence, combination of import-export trade is termed as entrepot trade.

### 8. Transport creates place utility.

- Ans:**
- i. Auxiliaries to trade play a supportive role to ensure smooth trading activities. Transport is one of the auxiliaries to trade.
  - ii. The goods are produced at one place while they are demanded over a wider geographical area.
  - iii. The goods have to be transported to the places where they are demanded.
  - iv. Place utility is a utility created through availability of a good or service at a particular place.
  - v. Various modes of transport help to move goods to the places where they are demanded.
  - vi. Hence, we can say that transport creates place utility.

### 9. Available resources should be used to its maximum.

- Ans:**
- i. Resources refer to all those factors which are used as input for carrying out business activities.
  - ii. Resources are scarce and have alternative uses.
  - iii. It is required to put resources to their best possible use and efforts need to be taken to avoid wastages.
  - iv. Optimum use of resources ultimately contributes to increasing profits of the businesses.
  - v. Hence, available resources should be used to its maximum.



### Study the following case/situation and express your opinion: (T)

#### 1. Jaysukh Oil Mills produce refined oil. The entire production is purchased by Rupesh Oil Depot, who in turn sells it to various retailers. Mrs. Prachi purchased 2 kg oil from Balaji Groceries. Identify:

- i. Wholesaler                      ii. Retailer                      iii. Consumer**

- Ans:**
- i. A wholesaler is the one who purchases goods in large quantities from the producers and sells in small quantities to the retailers. In this case, Rupesh Oil Depot is wholesaler as it purchases refined oil in large quantities from Jaysukh Oil Mills (producer) and then sells it to various retailers.
  - ii. A retailer is the one who purchases goods from the wholesaler (or sometimes directly from producer) and sells them in smaller quantities to final consumer. In this case, Balaji Groceries is retailer as it purchases refined oil from Rupesh Oil Depot (wholesaler) and sells it in smaller quantities to final consumers.
  - iii. A consumer purchases goods from retailers in smaller quantities for his personal consumption. In this case, Mrs. Prachi is consumer as she purchases refined oil from Balaji Groceries (retailer) in smaller quantity (2 kg) for her own consumption.

#### 2. Mr. Pranav is a tin manufacturer in India. Mr. Jack of England sells goods to M/s. Frank Corporation in North America and Mr. Williams of USA buys various goods from Brazil.

- i. Who is importer?                      ii. Who is manufacturer?                      iii. Who is exporter?**

- Ans:**
- i. An importer is the one who purchases goods and services from another country. In this case, there are two importers:
    - a. Mr. Williams of USA is an importer as he buys various goods from Brazil (another country than his country of his residence).
    - b. M/s. Frank Corporation in North America is also an importer as the corporation purchases goods from Mr. Jack of England.
  - ii. A manufacturer is the one who produces or manufactures the goods. In this case, Mr. Pranav from India is a manufacturer as he manufactures tin.
  - iii. An exporter is the one who sells goods and services to buyers in foreign country. In this case, there are two exporters:
    - a. Mr. Jack of England as he sells goods to M/s. Frank Corporation in North America.
    - b. The person from Brazil who sells goods to Mr. Williams from USA.

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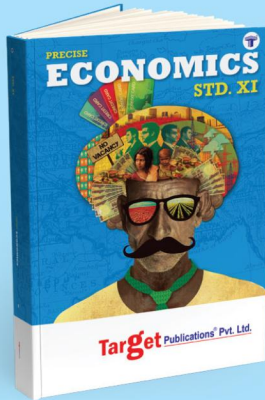




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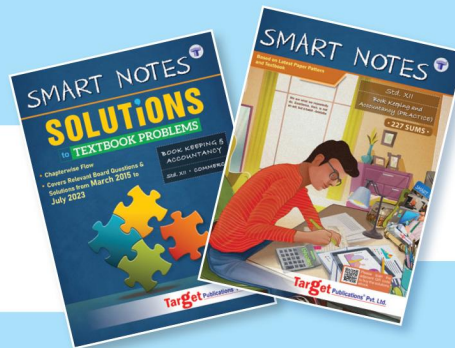


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