

# Chapter 1: Introduction of Commerce and Business

## Exercise 1

Exercise 1 | Q 1.01 | Page 16

**Select the correct option and rewrite the sentence.**

A Lawyer is\_\_\_\_\_

- a Professional person
- a Businessman
- an employee

### SOLUTION

A Lawyer is **a Professional person**

Exercise 1 | Q 1.02 | Page 16

**Select the correct option and rewrite the sentence.**

The raw material is converted into finished product by \_\_\_\_\_ industry.

- genetic
- extractive
- manufacturing

### SOLUTION

The raw material is converted into a finished products by **manufacturing** industry.

Exercise 1 | Q 1.03 | Page 16

**Select the correct option and rewrite the sentence.**

The actual buying and selling of goods is known as \_\_\_\_\_

- profession
- trade
- industry

### SOLUTION

The actual buying and selling of goods is known as **trade**

Exercise 1 | Q 1.04 | Page 16

**Select the correct option and rewrite the sentence.**

National level code of conduct is prepared for \_\_\_\_\_

- professionals
- businessmen
- employees

### **SOLUTION**

National level code of conduct is prepared for **professionals**

Exercise 1 | Q 1.05 | Page 16

**Select the correct option and rewrite the sentence.**

Construction of dams is an activity done under \_\_\_\_\_ industry.

- primary
- secondary
- tertiary

### **SOLUTION**

Construction of dams is an activity done under **secondary** industry.

Exercise 1 | Q 1.06 | Page 16

**Select the correct option and rewrite the sentence.**

The problem of distance is solved by \_\_\_\_\_

- bank
- transport
- warehousing

### **SOLUTION**

The problem of distance is solved by **transport**.

Exercise 1 | Q 1.07 | Page 16

**Select the correct option and rewrite the sentence.**

Commerce is a branch of \_\_\_\_\_

- business
- industry
- trade

### **SOLUTION**

Commerce is a branch of **business**.

Exercise 1 | Q 1.08 | Page 17

**Select the correct option and rewrite the sentence.**

Return in business is called \_\_\_\_\_

- fees
- salary
- profit

**SOLUTION**

Return in business is called **profit**.

Exercise 1 | Q 1.09 | Page 17

**Select the correct option and rewrite the sentence.**

A business unit depends upon \_\_\_\_\_ for selling its output.

- industry
- society
- employees

**SOLUTION**

A business unit depends upon **society** for selling its output.

Exercise 1 | Q 1.1 | Page 17

**Select the correct option and rewrite the sentence.**

Warehousing creates \_\_\_\_\_ utility in goods.

- place
- time
- form

**SOLUTION**

Warehousing creates **time** utility in goods.

Exercise 1 | Q 2 | Page 17

**Match the pairs:**

Group ` A´	Group ` B´
A) Helping disabled person	1) Social objective

2) Foreign Trade	2) Foreign Trade
C) Local currency	3) Sericulture
D) Solve social problems	4) Non-economic activity
	5) Internal Trade
	6) Mining
	7) Profit
	8) Economic activity

### **SOLUTION**

<b>Group ` A `</b>	<b>Group ` B `</b>
A) Helping disabled person	Non-economic activity
2) Foreign Trade	Sericulture
C) Local currency	Internal Trade
D) Solve social problems	Social objective

Exercise 1 | Q 3.01 | Page 17

### **Give one word/phrase/term.**

A regular activity concerned with the production and distribution of goods and services for profits.

### **SOLUTION**

Business activity

Exercise 1 | Q 3.02 | Page 17

### **Give one word/phrase/term.**

Human activities that are conducted for earning money.

### **SOLUTION**

Economic activity

Exercise 1 | Q 3.03 | Page 17

### **Give one word/phrase/term.**

Buying and selling of goods against money or money's worth.

### **SOLUTION**

Trade

Exercise 1 | Q 3.04 | Page 17

**Give one word/phrase/term.**

Activities that remove all the difficulties in trade.

**SOLUTION**

Auxiliaries to trade

Exercise 1 | Q 3.05 | Page 17

**Give one word/phrase/term.**

The type of industries that creates immovable wealth.

**SOLUTION**

Construction industry

Exercise 1 | Q 3.06 | Page 17

**Give one word/phrase/term.**

Name the business activity which is concerned with the production of goods and services.

**SOLUTION**

Industry

Exercise 1 | Q 3.07 | Page 17

**Give one word/phrase/term.**

Name the business activity which is concerned with distribution of goods and services.

**SOLUTION**

Commerce

Exercise 1 | Q 3.08 | Page 17

**Give one word/phrase/term.**

The activity which provides mobility to men and material.

**SOLUTION**

Transport

Exercise 1 | Q 3.09 | Page 17

**Give one word/phrase/term.**

An aid to trade which creates time utility.

**SOLUTION**

Warehousing

Exercise 1 | Q 3.1 | Page 17

**Give one word/phrase/term.**

An occupation by which a person agrees to provide expert services for fees.

**SOLUTION**

Profession

Exercise 1 | Q 4.01 | Page 17

**State True or False.**

Business is an economic activity.

- True
- False

**SOLUTION**

True

Exercise 1 | Q 4.02 | Page 17

**State True or False.**

Every profession is practiced for earning money.

- True
- False

**SOLUTION**

True

Exercise 1 | Q 4.04 | Page 17

**State True or False.**

Trade includes commerce.

- True
- False

**SOLUTION**

False

Exercise 1 | Q 4.05 | Page 17

**State True or False.**

Warehousing removes difficulty of time.

- True
- False

**SOLUTION**

True

Exercise 1 | Q 4.06 | Page 17

**State True or False.**

Trade includes buying and selling of goods and services

- True
- False

**SOLUTION**

True

Exercise 1 | Q 4.07 | Page 18

**State True or False.**

Profit leads to an increase in the overall efficiency of the organization.

- True
- False

**SOLUTION**

True

Exercise 1 | Q 4.08 | Page 18

**State True or False.**

Plant nursery is an example of extractive industry.

- True
- False

**SOLUTION**

False

Exercise 1 | Q 4.09 | Page 18

**State True or False.**

Industry creates form utility.

- True
- False

**SOLUTION**

True

Exercise 1 | Q 4.1 | Page 18

**State True or False.**

Retailer is the link between manufacturer and wholesalers.

- True
- False

**SOLUTION**

False

Exercise 1 | Q 5.1 | Page 18

**Find the odd one.**

- Agricultural Industry
- Extractive Industry
- Genetic Industry
- Manufacturing Industry

**SOLUTION**

Manufacturing Industry

Exercise 1 | Q 5.2 | Page 18

**Find the odd one.**

- Import Trade
- Export Trade
- Wholesale Trade
- Entrepot Trade



## **SOLUTION**

Wholesale Trade

Exercise 1 | Q 5.3 | Page 18

### **Find the odd one.**

- Banking
- Insurance
- Transport
- Manufacturing

## **SOLUTION**

Manufacturing

Exercise 1 | Q 5.4 | Page 18

### **Find the odd one.**

- Tea
- Milk
- Coffee
- Machinery

## **SOLUTION**

Machinery

Exercise 1 | Q 6.01 | Page 18

### **Complete the sentence.**

Economic activities are those activities which are conducted to Earn \_\_\_\_\_

## **SOLUTION**

Economic activities are those activities which are conducted to Earn **money**.

Exercise 1 | Q 6.02 | Page 18

### **Complete the sentence.**

\_\_\_\_\_ includes marketing of goods and services.

## **SOLUTION**

**Commerce** includes marketing of goods and services.

**Complete the sentence.**

Business is an \_\_\_\_\_ activity.

**SOLUTION**

Business is a **Trade** activity.

**Complete the sentence.**

The basic purpose of \_\_\_\_\_ is to earn profit;

**SOLUTION**

The basic purpose of **Business** is to earn profit;

**Complete the sentence.**

Professionals, charge \_\_\_\_\_ in exchange of expert services.

**SOLUTION**

Professionals, charge **Fees** in exchange of expert services.

**Complete the sentence.**

\_\_\_\_\_ is the person who offers the work.

**SOLUTION**

**Employer** is the person who offers the work.

**Complete the sentence.**

\_\_\_\_\_ is considered as a reward for assuming several business risks.

**SOLUTION**

**Profit** is considered as a reward for assuming several business risks.

**Complete the sentence.**

Industry creates Form \_\_\_\_\_.

## SOLUTION

Industry creates **Form** utility.

Exercise 1 | Q 6.09 | Page 18

### Complete the sentence.

In \_\_\_\_\_ trade, goods are purchased and sold in bulk.

## SOLUTION

In **Wholesale** trade, goods are purchased and sold in bulk.

Exercise 1 | Q 6.1 | Page 18

### Complete the sentence.

\_\_\_\_\_ Retailer is the link between wholesaler and customer.

## SOLUTION

**Retailer** is the link between wholesaler and customer.

Exercise 1 | Q 7.1 | Page 18

### Select the correct option.

Group A	Group B
Trade between different countries	_____

- Export trade
- Foreign trade
- Wholesaler
- Import trade

## SOLUTION

Group A	Group B
Trade between different countries	<b>Foreign Trade</b>

Exercise 1 | Q 7.2 | Page 18

### Select the correct option.

Group A	Group B
Purchase of goods and services from another country.	_____

- Export trade
- Foreign trade
- Wholesaler
- Import trade

### SOLUTION

Group A	Group B
Purchase of goods and services from another country.	<b>Import trade</b>

Exercise 1 | Q 7.3 | Page 18

**Select the correct option.**

Group A	Group B
_____	Selling of goods and services to foreign customer

- Export trade
- Foreign trade
- Wholesaler
- Import trade

### SOLUTION

Group A	Group B
<b>Export trade</b>	Selling of goods and services to foreign customer

Exercise 1 | Q 7.4 | Page 18

**Select the correct option.**

Group A	Group B
_____	Link between producer and retailer

- Export trade
- Foreign trade
- Wholesaler
- Import trade

### SOLUTION

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Group A	Group B
Wholesaler	Link between producer and retailer

Exercise 1 | Q 8.01 | Page 18

**Answer in one sentence.**

What is an economic activity?

**SOLUTION**

Activity done for earning money is an economic activity.

Exercise 1 | Q 8.02 | Page 18

**Answer in one sentence.**

What is a non-economic activity?

**SOLUTION**

Activities are done to satisfy human wants other than monetary demands.

Exercise 1 | Q 8.03 | Page 18

**Answer in one sentence.**

What do you mean by wholesale trade?

**SOLUTION**

Trade conducted on a large scale is wholesale trade.

Exercise 1 | Q 8.04 | Page 18

**Answer in one sentence.**

What is the meaning of retail trade?

**SOLUTION**

Trade conducted on small scale is retail trade.

Exercise 1 | Q 8.05 | Page 18

**Answer in one sentence.**

What do you mean by import trade?

**SOLUTION**

When the goods or services are bought from other countries, to the home country it is called import trade.

**Answer in one sentence.**

What do you mean by export trade?

**SOLUTION**

When the goods or services are sold to other countries, from home country it is called export trade.

**Answer in one sentence.**

What is an entrepot trade?

**SOLUTION**

Goods brought in the country from one country and sold to some other country, it is called entrepot trade.

**Answer in one sentence.**

What is meant by auxiliaries to trade?

**SOLUTION**

Auxiliaries to trade are the services which help the smooth conduct of trade.

**Answer in one sentence.**

What is trade?

**SOLUTION**

Buying and selling of goods and services are called trade.

**Answer in one sentence.**

What do you mean by commerce?

**SOLUTION**

Commerce is a part of business activity which is concerned with the distribution of goods and services.

**Answer in one sentence.**

What is primary industry?

**SOLUTION**

An industry which depends upon nature for production is called primary industry.

Exercise 1 | Q 8.12 | Page 19

**Answer in one sentence.**

What is secondary industry?

**SOLUTION**

Industry which depends upon primary industry for production is called secondary industry

Exercise 1 | Q 8.13 | Page 19

**Answer in one sentence.**

What do you mean by genetic industry?

**SOLUTION**

Genetic industry means the industry engaged in reproduction and multiplication of plants.

Exercise 1 | Q 9.1 | Page 19

**Correct the underlined word and rewrite the sentence.**

Business is a non-economic activity.

**SOLUTION**

Business is an **economic** activity.

Exercise 1 | Q 9.2 | Page 19

**Correct the underlined word and rewrite the sentence.**

Barter exchange is an exchange with money.

**SOLUTION**

Barter exchange is an exchange with **goods**.

Exercise 1 | Q 9.3 | Page 19

**Correct the underlined word and rewrite the sentence.**

Profession can be transferred to another person.

## **SOLUTION**

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

Exercise 1 | Q 9.4 | Page 19

**Correct the underlined word and rewrite the sentence.**

Capital is required for employment.

## **SOLUTION**

Capital is required for a **business**.

Exercise 1 | Q 9.5 | Page 19

**Correct the underlined word and rewrite the sentence.**

Industry creates place utility.

## **SOLUTION**

**Transport** creates place utility

Exercise 1 | Q 9.6 | Page 19

**Correct the underlined word and rewrite the sentence.**

Commerce represents supply side of market.

## **SOLUTION**

**Industry** represents supply side of market

Exercise 1 | Q 9.7 | Page 19

**Correct the underlined word and rewrite the sentence.**

The basic purpose of business is to provide services.

## **SOLUTION**

The basic purpose of business is to **make profit**.

## **EXERCISE 2**

Exercise 2 | Q 1 | Page 19

**Explain the following term/concept.**

Business

## **SOLUTION**

1. Business is one of the economic activities.



2. Business is done to earn a profit.
3. It is done by individuals organisations.
4. The business includes all those activities done for production, processing, and distribution of goods.
5. The business has a risk involved.

Exercise 2 | Q 2 | Page 19

**Explain the following term/concept.**

Profession

**SOLUTION**

1. Profession is a part of economic activity.
2. A person who practices a profession is called a professional.
3. A professional has to acquire particular knowledge under the formal education system.
4. He practices and obtains skills in his profession. E.g. Doctors, Lawyers, Chartered Accountants, Architects, etc.
5. A professional gets fees for his services.

Exercise 2 | Q 3 | Page 19

**Explain the following term/concept.**

Employment

**SOLUTION**

1. Employment is an economic activity.
2. A person works for others to earn his livelihood.
3. A person who works is called an employee and a person who offers work is an employer.
4. The employee gets remuneration after a certain period which is called salary or wages.

Exercise 2 | Q 4 | Page 19

**Explain the following term/concept.**

Home Trade

**SOLUTION**

1. Trade means buying and selling of goods and services.
2. Trade conducted within the boundaries of the country i. e. buying and selling of goods and services within the country is called home trade or internal trade.
3. Home trade is divided into two parts; Wholesale trade and retail trade.

Exercise 2 | Q 5 | Page 19

**Explain the following term/concept.**

## **SOLUTION**

1. Buying and selling of goods and services is called trade.
2. Trade can be conducted within the country or with other countries.
3. Trade conducted with other countries is called foreign or external trade.
4. Foreign trade is divided into three parts; they are import, export and entrepot trade.

Exercise 2 | Q 6 | Page 19

### **Explain the following term/concept.**

Economic Activity

## **SOLUTION**

1. Human beings are engaged in various activities throughout the day.
2. Some activities are done to earn money or livelihood.
3. These activities are called economic activities.
4. Economic activities are of three types; they are business, employment, and profession.
5. Because of the economic activities a person can earn for himself and his family.
6. These activities are required for the survival of a human being.

Exercise 2 | Q 7 | Page 19

### **Explain the following term/concept.**

Non-economic Activity

## **SOLUTION**

1. Human activities are divided into two types- economic and non-economic activities.
2. Non-economic activities are those which are conducted by a person to satisfy his non-monetary requirements.

## **EXERCISE 3**

Exercise 3 | Q 1 | Page 19

### **Study the following case/situation and express your opinion.**

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 2kg oil from Balaji Groceries. Identify:

1. Wholesaler
2. Retailer
3. Consumer

## **SOLUTION**

1. Wholesaler - Rupesh Oil Depot Retailer
2. Retailer - Balaji Groceries
3. Consumer- Mrs. Prachi

Exercise 3 | Q 2 | Page 19

**Study the following case/situation and express your opinion.**

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.

1. Who is the importer?
2. Who is the manufacturer?
3. Who is the exporter?

**SOLUTION**

1. Importer M/s Frank Corporation in North America, Mr. Williams in USA.
2. Manufacturer - Mr. Pranav
3. Exporter Mr. Jack

**EXERCISE 4**

Exercise 4 | Q 1 | Page 19

**Distinguish between:**

Industry and Commerce.

**SOLUTION**

Industry	Commerce
<b>1. Meaning:</b> Industry is engaged in the production of goods and services.	Commerce looks after the distribution of goods and services.
<b>2. Location:</b> Industries are located in the industrial belts which are usually away from residential areas.	Infact there is no particular location of commerce. It gives its services at any location.
<b>3. Utility:</b> Industries create form utility.	Commerce creates a place, time, and possession utility.
<b>4. Resources:</b> Industries require mainly machinery, materials, and manpower for production.	Commerce mainly works with the help of materials and manpower for production manpower.
<b>5. Capital</b> Industries require huge capital. It mainly depends upon the size of the industry.	Activities of commerce comparatively require less capital.
<b>6. Conducted by:</b> Manufacturers.	Traders or mercantile agents.
<b>7. Classification:</b> Industries are divided into Primary, secondary and tertiary types.	Commerce is divided into trade and auxiliaries to trade.

**Distinguish between:**

Business and Commerce.

**SOLUTION**

<b>Business</b>	<b>Commerce</b>
<b>1. Meaning:</b> It is an economic activity engaged in production and distribution of goods and services.	Commerce takes Care of the distribution of goods and services.
<b>2. Concept:</b> Business is a wider term than business.	Commerce is a narrower term than business.
<b>3. Part of:</b> Business is a part of economic activity.	Commerce is a part of the business.
<b>4. Skill:</b> Industries require more technical, managerial and marketing skills.	Commerce mainly requires managerial and marketing skills.
<b>5. Classifications:</b> Business is classified into two parts industry and commerce.	Commerce is divided into two parts trade and auxiliaries to trade.
<b>6. Capital:</b> It requires large capital.	It requires limited capital.
<b>7. Investment:</b> Heavy investment is required.	Less investment is required.

**Distinguish between:**

Business and Profession.

**SOLUTION**

<b>Business</b>	<b>Profession</b>
<b>1. Meaning:</b> It is an economic activity where goods and services are produced and distrusted.	The profession is also an economic activity under which a person uses his knowledge and provide expert services
<b>2. Nature:</b> A person invests his capital and starts a business. He may or may not have the proper skills or knowledge.	A professional has to take formal training before starting his profession.
<b>3. Special education:</b> Business does not require special formal education though it is advisable.	Professional is required to take formal education to practice a profession.
<b>4. Returns:</b> A businessman gets profit.	A professional gets fees from clients.
<b>5. Registration:</b> A businessman need	A professional has to register under the

not register with a particular body or association.	respective body or association eg. A Lawyer has to register himself With the Bar Council of India before carrying out his profession.
<b>6. Capital requirement:</b> More capital is required to run a business. Capital is brought by a businessman.	Comparatively less capital is required to carry out a profession. The required capital is brought by a
<b>7. Code of conduct:</b> There is no specific code of conduct for the businessmen. They are the owners so 'they may form the code of conduct for their organisation.	There is specific code of conduct for a professional. This code is decided by the respective association.
<b>8. Examples:</b> Manufacturer of textiles, retailer, courier service provider, etc.	Doctor, Lawyer, Architect, Chartered Accountant, etc.

Exercise 4 | Q 4 | Page 20

### Distinguish between:

Employment and Profession.

### SOLUTION

Employment	Profession
<b>1. Meaning:</b> Business is an economic activity, conducted to earn remuneration.	Profession is also an economic activity under which a person uses his knowledge and provide services.
<b>2. Nature:</b> A person works for another person or organisation to get his livelihood.	A professional has to take formal training before starting his profession.
<b>3. Special education:</b> It depends on the nature of employment. Some type of employment requires a specific type of education. Whereas in some cases any education is acceptable.	Professional is required to take formal education to practice a profession.
<b>4. Returns:</b> An employee gets remuneration in the form of wages or salary.	A professional gets fees from clients.
<b>5. Registration:</b> An employee does not require registering himself with specific associations.	A professional has to register under the respective body or association eg. A Lawyer has to register himself With the Bar Council of India before carrying out his profession.
<b>6. Capital requirement:</b> Employees need not invest money in the business. He does not require capital.	Comparatively less capital is required to carry out a profession. The required capital is brought by a
<b>7. Code of conduct:</b> Employee has to follow the rules and regulations of his organisation.	There is a specific code of conduct for a professional. This code is decided by the

	respective association.
<b>8. Decision making:</b> Employee has no right to make decisions in the organisations unless he is asked.	A Professional can take his own decisions as he is the owner.
<b>9. Tenure:</b> Every employment has a specific tenure. It means the maximum period for which an employee can remain in the employment is fixed. The employee has to retire after that period.	Professionals can work throughout his life also.

## EXERCISE 5

Exercise 5 | Q 1 | Page 20

### Answer in brief.

State any four features of profession.

### SOLUTION

The profession is a part of economic activity. A professional acquire formal knowledge to practice the profession. Following are the features of the Profession:

1. **Qualification:** A particular qualification is required to practice a profession. A professional needs to acquire knowledge through formal education. Unless he gets formal knowledge and training, he cannot practice profession. eg. A Doctor cannot prescribe medicines without having a degree in medicine.
2. **Returns:** A professional charges fees for the services rendered to the clients, The fees charged by a professional depends on different factors like his knowledge, experience, skill, etc. His income is not fixed.
3. **Capital:** Professional requires capital to set up or run his practice. The amount of capital depends upon the nature of practice a professional wants to do.
4. **Work Nature:** A professional who is an expert in a particular field, provides services in his field of expertise. eg. an architect will provide his services in the field of building houses.

Exercise 5 | Q 2 | Page 20

### Answer in brief.

State any two types of industries.

### SOLUTION

Industries are a part of business. They look after the production of goods and services. Industries create form utility. There are various types of industries. They can be broadly divided into three categories.

1. **Primary Industry:** These are the industries which depend on nature for their production. They include agriculture, mining, fishing, woodcutting, etc. Primary

industries are further divided into three types; agriculture industry, extractive industry, and genetic industry.

2. **Secondary Industry:** These are the industries which depend upon primary industries for their production. They are mainly categorized as manufacturing industries and construction industries. Secondary industries use the raw materials of primary industries and convert them into finished products which are then sold in the market.

Exercise 5 | Q 3 | Page 20

**Answer in brief.**

Give two types of Foreign Trade.

### **SOLUTION**

Trade with other countries is called foreign trade. Foreign trade is of three types.

1. **Import Trade:** When the goods or services are purchased from other countries it is called import trade.
2. **Export trade:** When the goods are sold to other countries, it is called export trade.
3. **Entrepot trade:** It is also called re-exporting. In this case, goods are first brought from one country and again resale to another country. E.g. A buyer from India imports goods from France and exports them to Australia.

Exercise 5 | Q 4 | Page 20

**Answer in brief.**

State any four auxiliaries to trade.

### **SOLUTION**

Auxiliaries to trade are all those services which help in the smooth conduct of trade. There are different types of services which help trade. They are explained below.

1. **Warehousing:** Warehousing helps to store the goods safely. There is a gap between the time of production and the time of consumption. Warehousing fills up this gap by conveniently storing the goods until they are demanded in the market. Warehousing, thus, creates time utility. Care is taken that the goods do not get damaged in the warehouse.
2. **Advertising:** Advertising is an important tool in the hands of a businessman to communicate with potential buyers. In today's world, producer/seller is situated in one place and consumers are spread over wider area. Through advertisement, producer or seller can contact the consumers. There are different mediums of advertisement. e.g. T.V., Radio, Hoardings, Print, etc.
3. **Insurance:** Business is exposed to many risks. A businessman has to be careful about the risks. Some risks can be avoided, some can be minimized and some can be transferred. Insurance is an auxiliary which helps the businessman to handle the risk. Businessmen can transfer some of the risks to insurance companies. Insurance company, by accepting premium from the businessman, assures him to pay compensation in case of loss.
4. **Transport:** Transport is an important auxiliary to trade. Transport carries raw materials and people to place of production and brings finished goods to markets.

Thus transport creates place utility. Transport can be conducted by different modes e. g rail, road, water or air.

Exercise 5 | Q 5 | Page 20

**Answer in brief.**

State any four features of employment.

**SOLUTION**

Employment is an economic activity. A person works for others to earn his livelihood. Following are the features of employment:

1. **Aim:** The main aim of a person accepting employment is to earn money.
2. **Qualification:** Qualifications are required depending upon the nature of employment. Some types of work require educational qualifications, some require some specific skill, some require both. But qualification is necessary for employment.
3. **Monetary returns:** The person who accepts employments and works for the employer gets remuneration after specific intervals. Remuneration can be wages or salaries. Usually, wages are paid daily or weekly salaries are paid monthly.
4. **Capital:** Capital is not required for the person who is in employment.

Exercise 5 | Q 6 | Page 20

**Answer in brief.**

Write any four objectives of the business.

**SOLUTION**

Business is done with some objectives. These can be divided into

- (a) Economic objectives and
- (b) Social objectives.

**Following are the Economic Objectives:**

1. **Earning Profit:** Business is done with the main objective of earning profit. Profit is always a motivating factor for a businessman.
2. **Searching New Customers:** To maximize profit a business organisation has to search for new customers. It is required to expand the business. It is also important to retain old customers.
3. **Best possible use of Resources:** Making the best use of available resources is the objective of the business. This ensures avoiding wastage and saving valuable money. This ultimately leads to an increase in profit.
4. **Innovation:** One of the important objectives of the business is to make innovations for the development of business. Therefore research and development become an important part of the working of any business organisation.

Exercise 5 | Q 7 | Page 20

**Answer in brief.**

State any four features of business.



## SOLUTION

Business is an economic activity which is done to earn a profit.

**The following are the features of business:**

1. **An economic activity:** Business is an economic activity. Because it is done to earn profit for livelihood.
2. **Two parties:** Business is mainly concerned with the production and distribution of goods and services. It means business transactions involve exchange and in any exchange two parties are involved. Thus business involves two parties.
3. **Profit motive:** Every business is done with a motive of making a profit. Therefore all the activities of business revolve around profit. A businessman is not satisfied with the profit he gets, but he tries to maximize the profit either by increasing the production or by reducing the cost. He tries to find out new customers and new markets.
4. **Production of Goods and Services:** Business includes the production of goods and services. Raw materials are used and the finished goods are produced.

Exercise 5 | Q 8 | Page 20

**Answer in brief.**

State any two types of primary industry.

## SOLUTION

Primary industries are those industries which depend on nature for production.

**Primary industries are of three types which are given below.**

1. **Agriculture industry:** Agriculture includes the cultivation of land. It is an important primary sector industry.
2. **Extractive industry:** Extractive industry draws out the products from natural resources like land, river or sea, etc. The products extracted are usually in raw form they are converted into finished products and sold in the market.
3. **Genetic industry:** Genetic industries are engaged in the reproduction and multiplication of plants and animals e.g. poultry, plant nursery, etc.

## EXERCISE 6

Exercise 6 | Q 1 | Page 20

**Justify the following statement.**

Retailer is in direct contact with ultimate consumers.

## SOLUTION

1. Retailer is a trader operating in the chain of distribution.
2. He deals with the ultimate consumer.
3. Retailer is the last link in the chain of distribution.
4. Goods flow from the producer to consumer in the following way:  
Producer → Wholesaler → Retailer → Consumer

5. Thus, retailer comes into direct contact with the ultimate consumer.

Exercise 6 | Q 2 | Page 20

**Justify the following statement.**

Commerce is a wider term than trade.

**SOLUTION**

1. Commerce is a part of the business. Business is divided into two parts; industry and commerce.
2. Commerce is concerned with the distribution of goods.
3. Commerce is divided into two parts. One is a trade and the other is auxiliaries to trade.
4. Trade is concerned with the buying and selling of goods and services.
5. Trade is a part of commerce.
6. Along with trade, commerce also includes auxiliaries or services to trade.
7. These services help in the smooth running of trade. Thus, it clearly indicates that commerce is a wider term than trade.

Exercise 6 | Q 3 | Page 20

**Justify the following statement.**

Risk is inevitable in business activities.

**SOLUTION**

1. Every business is exposed to various risks. A businessman cannot avoid risks in the business.
2. These risks include goods remaining unsold due to changes in fashions, risks of losses due to fire or theft damage to goods during transportation or warehousing, risks of bad debts, etc.
3. A businessman has to be prepared to handle these risks.
4. These risks cannot be totally eliminated. But they can be minimized or transferred to the insurance company. A businessman must be ready for the risks as they are inevitable.
5. Thus, the risk is inevitable in business activities.

Exercise 6 | Q 4 | Page 20

**Justify the following statement.**

A combination of import-export trade is entrepot trade.

**SOLUTION**

1. Import, export, and entrepot trade are parts of foreign trade.
2. When the goods are purchased from other countries it is called import trade.
3. When the goods are sold to other countries it is called export trade.
4. A combination of import and export trade is called entrepot trade.
5. In the case of entrepot trade goods are first purchased from one country i.e. imported and then sold to or exported to other countries.

6. E.g. Indian trader purchased some computers from Japan and sold them to Sri Lanka. Will be included in entrepot trade.
7. Thus, entrepot trade is a combination of import and export trade.

Exercise 6 | Q 5 | Page 20

**Justify the following statement.**

Transport creates place utility.

**SOLUTION**

1. Transport is one of the important auxiliaries to trade.
2. Transport brings raw materials and people to the place of production and carries finished products to the market.
3. There are different modes of transport through which it carries goods and people from one place to another. They are rail, road, water, and air.
4. If goods are produced in one place, they may not have demanded at that place only.
5. Transport carries them to another place where they are demanded and create place utility.
6. Thus, we can say that transport creates place utility.

Exercise 6 | Q 6 | Page 20

**Justify the following statement.**

Industrial activities take place before commerce starts its role.

**SOLUTION**

1. Industry and commerce are the two parts of the business.
2. Both the parts are complementary to each other.
3. One cannot function without others.
4. Industries look after the production of goods and services and commerce takes care of the distribution of the goods produced.
5. Obviously the production of goods comes first and it is followed by the distribution or selling of goods.
6. Thus, industrial activities take place before commerce starts its role.

Exercise 6 | Q 7 | Page 20

**Justify the following statement.**

Available resources should be used to its maximum.

**SOLUTION**

1. Resources are always scarce. The demand for resources is more and the availability of resources is less.
2. Similarly, resources belong to the society but the businesses use them for production and provide the finished products to the society.
3. So it is necessary to use the resources carefully.
4. Wastage of resources should be avoided.

5. Wherever possible, recycling and reusing the resources should be considered by the businesses.
6. Thus, Whatever resources available should be used to its maximum.

Exercise 6 | Q 8 | Page 20

**Justify the following statement.**

Wholesaler is a link between retailer and manufacturer.

**SOLUTION**

1. Wholesaler and retailers are important intermediaries in trade.
2. They help to bring the goods from the manufacturer to the ultimate consumer.
3. A wholesaler is a trader who deals in large quantities i.e. the wholesaler purchases the goods in bulk from the manufacturer and sells it to retailers in small quantities.
4. Both the Wholesalers and retailers are the part of chain of distribution which is shown below. Producer → Wholesaler → Retailer → Consumer
5. Thus, it is true that Wholesaler is the link between the manufacturer and the retailer.

Exercise 6 | Q 9 | Page 20

**Justify the following statement.**

Business is part of economic activities.

**SOLUTION**

1. Economic activities are those activities which are done with the intention of making money.
2. A person has to earn money for his livelihood.
3. However, all economic activities are not the same. They can be conducted mainly in three different ways.
  - (a) Employment
  - (b) Profession and
  - (c) Business.
4. Business is conducted to earn a profit.
5. A businessman invests his own capital, takes decisions, and carries out business activities.
6. He also takes the risk of carrying business activities.
7. Thus, a businessman is responsible for business activities. The profit earned is enjoyed by a businessman. So business is a part of economic activity.

Exercise 6 | Q 10 | Page 20

**Justify the following statement.**

Changing fashions is one of the important causes of business risk.

**SOLUTION**

1. Business is exposed to various kinds of risk.

2. The risks can be due to the loss of goods by fire or theft, bad debts, changes in government policies, goods remaining unsold, etc.
3. Goods remaining unsold due to changes in fashion, is also an important type of risk in the business. Due to this risk businessmen can suffer loss.
4. However this risk is there in case of some goods only e. g. clothes, footwear, jewellery, accessories, sunglasses etc.
5. This risk is not there in case of food grains or vegetables as they are essentials and their demand remains somewhat constant.
6. Thus, changes in fashion is an important risk in the business.

## **EXERCISE 7**

Exercise 7 | Q 1 | Page 20

### **Attempt the following.**

What do you mean by commerce?

### **SOLUTION**

Commerce involves the distribution of goods and services. Commerce is a part of the business. Business is divided into two parts. They are (a) industry and (b) commerce.

Industries are concerned with the distribution of goods and commerce does the distribution of those goods in the market. Commerce helps in bringing the goods from the manufacturer to consumers by making an uninterrupted flow of goods.

Commerce includes main two activities - (a) Trade and (b) Auxiliaries to trade.

1. Trade means buying and selling of goods and services. Any buying and selling are included in the trade. It can be industrial goods, consumer goods or buying and selling of services, etc.
2. Auxiliaries of trade are all those supportive services which help in the smooth conduct of trade. They include transport, banking, insurance, advertising, etc.

Exercise 7 | Q 2 | Page 20

### **Attempt the following.**

What is the meaning of export trade?

### **SOLUTION**

Trade is divided into two parts.

- (a) Home trade and
- (b) Foreign trade.

Home trade is a trade conducted within the country whereas foreign trade is trade with other countries. When the goods are purchased from and sold to other countries it is included in foreign trade.

Foreign trade is divided into three parts.

- (a) Import trade,

(b) Export trade and

(c) Entrepot trade.

In case of export trade goods are sold to other countries e.g. A garment trader from India selling his garments to England Will be included in export trade.

Export trade plays an important role in the economy of any country, it helps a country to get valuable foreign exchange for the country, it also helps to enhance the reputation of the country in the foreign market.

Exercise 7 | Q 3 | Page 20

**Attempt the following.**

State the role of auxiliaries to trade in trading activities.

### **SOLUTION**

#### **Role of auxiliaries to trade:**

1. Auxiliaries to trade are all the services which help trade.
2. Trade means buying and selling of goods. However, buying and selling is not possible unless it is supported by different services which will make the trade easy.
3. There are different auxiliaries or services which support buying and selling. They are transport, warehousing, banking, insurance, advertising, etc.
4. These services help the trader as well as the buyers. They remove the hindrances in the process of distribution and ensure the smooth flow of goods from the manufacturer to the consumer.
5. In the modern world, manufacturers and consumers stay away from each other. It becomes very difficult for the manufacturer to contact the buyers and sell goods directly to them.
6. In this regard auxiliaries to trade help in establishing a link between the manufacturer or seller to consumer.

Exercise 7 | Q 4 | Page 20

**Attempt the following.**

What are the different types of secondary industries?

### **SOLUTION**

Secondary industries are those which depend upon primary industry for production. Secondary industries take raw materials from primary industries and carry out their production.

#### **Secondary industries are of two types:**

1. **Manufacturing industry:** These industries are engaged in the manufacturing of various types of goods. They may be consumer goods or industrial goods. These industries convert raw materials into finished products. They make use of men, material, and money for production. Examples of these industries include the chemical industry, electronics industry, textile industry, paper industry.
2. **Construction industry:** These types of secondary industries are engaged in construction activities such as dams, bridges, buildings, roads, tunnels, etc. In the

case of other industries, the goods are produced in one place but sold in different places. However, in case of construction industry, the construction takes place in one place only. Thus this industry creates immovable property.

Exercise 7 | Q 5 | Page 20

**Attempt the following.**

State the types of human activities.

**SOLUTION**

There are various activities conducted by a person in a day. These activities can be divided into two parts.

→ **Human Activities**

**1. Economic activities**

**2. Non-economic activities**

1. **Economic activities:** These activities are conducted to earn money. A human being requires money for livelihood. Economic activities are divided into three types.
  - (a) Business
  - (b) Profession
  - (c) EmploymentBusiness is done to earn a profit. The profession is done by acquiring special knowledge to provide services to people. A professional gets fees for the services rendered. Whereas when a person works for another person or organisation to earn wage or salary, is called employment.
2. **Non-economic activities:** Non-economic activities are conducted by the person to satisfy their needs other than financial needs. These activities include cultural, social, religious, sports, health-related, etc.

Exercise 7 | Q 6 | Page 20

**Attempt the following.**

Describe the scope of internal trade.

**SOLUTION**

Internal trade is a part of the trade. It includes buying and selling of goods within the country. Internal trade is further divided into two parts.

1. **Wholesale Trade:** Wholesale trade is a trade conducted on a large scale. A wholesaler purchases goods in bulk from the manufacturer and sells them to the retailers. Wholesaler forms a large network through which he helps to distribute goods at distant places. A wholesaler is an expert trader in his field. He acts as a link between the manufacturer and the retailer.
2. **Retail Trade:** Retail trade is a trade conducted on a small scale. He purchases goods from the wholesalers and sells them to the consumers in the required quantities. The retailer comes into direct contact with the consumers. A retailer caters to the needs of consumers by providing them various goods in whatever quantities they want.

**Attempt the following.**

How does banking and insurance help trading?

**SOLUTION**

Commerce includes trade and auxiliaries to trade. Trade means buying and selling of goods and services. But buying and selling are not possible unless it is supported by the auxiliaries to trade. Thus auxiliaries to trade are the services which help trade. Banking and insurance are two important auxiliaries to trade.

1. **Banking:** Banking services help traders in many ways. Branches of banks are spread over wider areas. Traders can open an account in the bank and take advantage of various banking services. Banks offer loans, overdrafts, transfer of money, letter of credit, foreign exchange facilities to the traders.
2. **Insurance:** There are various kinds of risks in the business. A businessman can transfer some risks on the insurance company. Goods can be destroyed by fire, theft or damage in transportation. The businessman can transfer these risks to the insurance company. He has to pay a premium to the insurance company and make a contract with the Insurance company. In case of loss, the insurance company pays compensation to the trader.
3. Thus, the risks cannot be avoided completely but can be minimized by taking an insurance policy.

**EXERCISE 8****Attempt the following.**

Give a comparative analysis of business, profession, and employment.

**SOLUTION**

Business, profession, and employment are part of economic activities. These activities are conducted to earn money. However, the nature of all three activities is different.

**A comparative analysis of all three activities is given below:**

Business	Profession	Employment
<b>1. Meaning:</b> Business is an economic activity, conducted to earn a profit.	The profession is also an economic activity under which a person uses his knowledge and provide services.	Employment is an economic activity, conducted to earn remuneration.
<b>2. Nature:</b> A person invests his capital and starts a business. He may or may not have the proper skills or knowledge.	A professional has to take formal education and training before starting his profession.	A person works for another person or organisation to



		get his livelihood.
<b>3. Formal education:</b> A businessman may or may not take formal education. It is not required.	Formal education is a must for a professional to enter into a profession.	It depends upon the type of employment whether a specific formal education is required.
<b>4. Returns:</b> A businessman gets to profit from the business.	A professional gets fees for the services rendered.	An employee gets remuneration in the form of a wage or salary.
<b>5. Capital requirement:</b> More capital is required to run a business. Capital is brought by a businessman.	Comparatively less capital is required to carry out a profession. The required capital is brought by a professional.	Employees need not invest money in the business. He does not require capital.
<b>6. Registration:</b> A businessman need not register with a particular body or association. But it is always better for the businessman to get the membership of the associations like Chamber of Commerce.	A professional has to register under the respective body or association e.g. A Lawyer has to register himself with the Bar Council of India before carrying out his profession.	An employee does not require registering himself with specific associations.
<b>7. Decision making:</b> Businessman is free to take his decisions.	A Professional can take his own decisions as he is the owner.	The employee has no right to make decisions in the organisations unless he is asked.
<b>8. Code of conduct:</b> The businessman is the owner of the business. He may for his own code of conduct for his business.	There is a specific code of conduct for a professional. This code is decided by the respective association.	The employee has to follow the rules and regulations of his organisation.
<b>9. Risk:</b> Risk is involved in every business.	Limited risk is involved in the case of self-employed professionals.	Risk is involved as long as the job continues.
<b>10. Commencement:</b> It can be started after completing certain legal formalities	It can be started after receiving a certificate of practice.	It can be started after receiving

		specific qualifications.
<b>11. Transfer of Ownership:</b> It can be transferred to another person with necessary legal formalities.	It cannot be transferred to anyone else as certain qualification and training is a must.	It cannot be transferred from one person to another.
<b>12. Examples:</b> Builder, Grocery Shop, Shopping mall, etc.	Doctor, Architect, Lawyers, etc.	Receptionist, Clerks, etc.

Exercise 8 | Q 2 | Page 20

### Attempt the following.

Define business. Explain its features.

### SOLUTION

Business is part of economic activities. Business is done to earn a profit. It is done by an individual or a group of individuals. Businesses can be defined in many ways by thinkers. Some of them are given below:

**Prof. Haney:** "Business activities are all those activities which are directed towards the production and processing of wealth".

**Prof. Pride, Huges and Kapoor:** "The organised efforts of individuals to produce and sell for a profit, the goods and services that satisfy society's needs".

The term business also refers to the organised efforts and activities of individuals to produce and sell goods and services for profit.

### The following are the features of business:

- 1. Continuity in Dealings:** Continuity is most important in the case of any business. Business requires regularity. Business activity should be carried on for a longer time. A transaction carried on only for one time or a few times cannot be called a business activity, e.g. Sale of own old motor car cannot be considered as a business activity.
- 2. Uncertain Returns:** The returns in any business are not fixed. They are uncertain and fluctuating. The profit of the business is not fixed or guaranteed.
- 3. Risk Element:** Business is exposed to many risks. These risks arise out of some unforeseen circumstances or wrong decisions or misjudgments of the businessman. A businessman cannot avoid the risks but he can minimize the risks by taking proper steps. Some risks can be transferred to an insurance company.
- 4. Satisfaction:** Customer is an integral part of any business activity. Without a customer, there cannot be buying or selling. Businesses need customers to fulfill their monetary objective and therefore customer satisfaction is the most important part of any business activity. Modern thinking on business gives topmost priority to customer satisfaction. If the customers are satisfied, there will be more sales and profit for the business.
- 5. Two Parties:** Business includes production and distribution. Every business transaction involves an exchange. For carrying out any exchange two parties are

required. These two parties are the seller and the buyer. There is an oral or written agreement between the buyer and the seller to buy or sell the goods or services.

6. **Economic Activity:** Business is an economic activity. The intention of carrying out any business is to earn money. Business is not conducted for satisfying the sentimental needs of a person. Business activity is purely monetary.
7. **Profit Motive:** Business is basically conducted to earn a profit. Every businessman tries to get maximum profit out of the business. Profit is required for the businessman to earn the livelihood and also for the survival of the business. It is also required for the expansion of the business. Thus profit plays a vital role in business.
8. **Production of Goods and Services:** Business has two aspects. One is the production of goods and services and distribution of them. Goods are produced by industries. Providing services also form an important part of business activities.
9. **Exchange of Goods and Services:** Goods and services are exchanged for money or money's worth. It is a business activity as there is a seller and a buyer and they exchange goods or services for the value. In modern days almost all the transactions are carried out with money as a medium of exchange. In the case of very few transactions, goods are exchanged for goods.
10. **Dealings in Goods and Services:** In the case of business, goods or services are bought and sold. There cannot be a business without the exchange of goods or services. Goods can be consumer goods or industrial goods. Services are of different types like banking, insurance, etc. Services are also exchanged for a value

Exercise 8 | Q 3 | Page 20

### Attempt the following.

Describe various other objectives of a business.

### SOLUTION

Business is an economic activity which includes the production and distribution of goods and services. The business has done to get profit. Even though the business is done with the intention of making a profit, that is not the only objective of the business. There are other objectives of the business.

### The objectives of the business are explained below:

#### (A) Economic Objectives:

1. **Searching of New Customers:** Business needs expansion. So that it can earn more profit. Therefore searching for new customers or new markets becomes an important economic objective of the business.
2. **Earning Profit:** Making profit always becomes the main economic objective of any business.
3. **Best possible Use of Resources:** It is the responsibility of any businessman to make proper use of available resources. It is because resources are limited and the demand for resources is more. When a businessman uses resources carefully and economically, he can save his money. It will ultimately result in an increase in profit.
4. **Innovation:** Business needs change according to the current situation. New products, new processes should be found out to remain in the competition in the market. Then only a business can survive and continue making a profit. Therefore making innovations is one of the economic objectives of the business.

## **(B) Social Objectives:**

The following are the social objectives:

1. **Contributing to the Welfare of the Society:** Social objectives include working for the betterment of the society in general. It IS the responsibility of the business to work for the welfare of the society by carrying out social welfare programmes.
2. **Avoiding Unfair Trade Practices:** Unfair trade practices are those practices which are not advisable in business. They include black marketing, hoarding, adulteration, wrong representation, false advertisements, etc. Unfair trade practices make an adverse effect on the business. Therefore one of the important social objectives of a business is to keep itself away from such practices.
3. **Supplying Quality Products:** It is the social objective of business, to provide quality products to the customers. The customer is an important part of any business. Without customers, a business cannot function Therefore it is the responsibility of the business to provide safe, non-adulterated, durable products to the customers.
4. **Help to Solve Social Problems:** In the modern world, many social problems are occurring in society. Business is a part of society and therefore one of the social objectives of the business is to help to solve the social problems.
5. **Employment Generation:** A business can provide employment to many people. It becomes the social objective of the business to generate more and more employment. This will help to reduce the problem of poverty and unemployment.
6. **The welfare of Employees:** Employees are an integral part of any organisation. Businesses cannot function without employees. It is therefore the responsibility of the businessman to provide better working conditions to employees. Better working conditions help to improve the productivity of the employees.

Exercise 8 | Q 4 | Page 20

### **Attempt the following.**

Explain the importance of profit in business.

### **SOLUTION**

Business is such activity which involves earning profit. Any business organisation, whether small or large, production unit or service industry; works for getting maximum profit. Profit plays a very important role in business.

### **The role of Profit is explained below:**

1. **Growth and Expansion:** Profit acts as an internal source of raising funds. Businesses can keep aside excess profit and use it for their own expansion or diversification purpose. Expansion results in more profit, which can be used for other purposes.
2. **Research and Development:** When a business gets good profits it can spend money on research and development. Research and development help to find out the processes that help to reduce the cost of production and provide better quality products. This helps to increase production ultimately resulting in an increase in profit.
3. **Returns to Investors:** The owner of the business needs returns on the money he has invested in the Business. These returns are in the form of Profit. If there are good profits, the businessman gets fair returns on his investment.

4. **Means of Livelihood:** A business is mainly carried on for getting the livelihood. A result of a business is profit. Thus the main role of Profit is to help the businessman earn his living.
5. **Increasing Efficiency:** Profit acts as a motivating factor. A businessman who is working hard for the business and gets substantial profits gets a motivation to work hard. Profit thus helps in increasing efficiency. Similarly, an employer can give good remuneration to the employees when there is a good profit. This helps to increase the efficiency of the employee also.
6. **The reward for Risks:** Every business is exposed to various types of risks. A businessman has to consider these risks. As a businessman takes risks and performs business activities, buyers get the necessary commodities. The result of these business activities is profit. Profit in this case acts as a reward for the risk taken by the businessman.
7. **Survival:** The most important role of profit is to help the business to carry on the activities continuously. The survival of a business depends upon the continuous supply of finance. Profit enables a business to continue with the uninterrupted supply of funds. Thus profit plays a vital role in the business. Profit is an inevitable part of every business. It helps a businessman to earn his livelihood, carry on research and development activities, and most importantly survive the business.