

1. Components of Business Studies

Exercises

1 A. Question

Fill in the blanks with appropriate words in the following sentences:

The economic activity that provides technical or specialized personal services to the consumers is called _____.

Answer

The economic activity that provides technical or specialized personal services to the consumers is called profession.

Explanation: A profession is any economic activity that include the supply of technical, specialized and personal services. The services provided by lawyers, doctors etc. fall under this category.

1 B. Question

Fill in the blanks with appropriate words in the following sentences:

In olden days the goods were exchanged for goods, which was called _____ system of exchange.

Answer

In olden days the goods were exchanged for goods, which was called barter system of exchange.

Explanation: Barter System of exchange in an important step in the evolution of commerce in any economy. During this step, money is not used as a medium of exchange in the economy. The distribution of goods and services occur when there is a direct exchange of goods and services for similar objects.

1 C. Question

Fill in the blanks with appropriate words in the following sentences:

The full responsibility of paper money vests with _____.

Answer

The full responsibility of paper money vests with government.

Explanation: Paper money is generally issued by the central monetary authority of any country and hence it is fully supported by the government

who takes full responsibility for it.

1 D. Question

Fill in the blanks with appropriate words in the following sentences:

The emergence of communities and villages took place during ____ stage.

Answer

The emergence of communities and villages took place during agricultural stage.

Explanation: once people engaged in agricultural activities, they gave up their nomadic lifestyle and started settling in one place to have constant access to their fields and crops. This led to the formation of villages and communities. Thus, villages and communities emerged during the agricultural phase.

1 E. Question

Fill in the blanks with appropriate words in the following sentences:

The main cause for International trade was ____.

Answer

The main cause for International trade was the industrial revolution and geographical discoveries.

Explanation: The industrial Revolution which occurred in England led to an increase in production of a variety of goods. These goods needed more markets for distribution and consumption which was found in the new countries that were discovered through exploration. Thus, international trade occurred between different countries.

1 F. Question

Fill in the blanks with appropriate words in the following sentences:

Trade and commerce contribute to the economic development of a country by paying ____ ____ and ____ to the government.

Answer

Trade and commerce contribute to the economic development of a country by paying rates, taxes and duties to the government.

Explanation: The buying and selling of goods in consideration of money or money's worth is called trade. Commerce includes all activities that facilitate the exchange of goods and services. It deals with all activities that include a smooth buying and selling of goods and services. Commerce acts as a source of income for the government by paying various rates, taxes and duties to facilitate the smooth movement of goods and services.

2 A. Question

Answer each of the following questions in two or three sentences:

What is an economic activity?

Answer

An economic activity is concerned with the production and exchange of goods and services. It also includes the supply of technical, specialized and personal services like those provided by lawyers or doctors. All economic activities are ways to earn income in order to satisfy the various needs and wants in life.

2 B. Question

Answer each of the following questions in two or three sentences:

Give the meaning of trade and Commerce.

Answer

The buying and selling of goods in consideration of money or money's worth is called trade. Commerce includes all activities that facilitate the exchange of goods and services. It deals with all activities that include a smooth buying and selling of goods and services. Thus, trade is a part of commerce.

2 C. Question

Answer each of the following questions in two or three sentences:

What is meant by Barter system of exchange?

Answer

Barter System of exchange is an important step in the evolution of commerce in any economy. During this step, money is not used as a medium of exchange in the economy. The distribution of goods and services occurs when there is a direct exchange of goods and services for similar objects.

2 D. Question

Answer each of the following questions in two or three sentences:

What is a profession?

Answer

A profession is any economic activity that includes the supply of technical, specialized and personal services. The services provided by lawyers, doctors etc. fall under this category.

2 E. Question

Answer each of the following questions in two or three sentences:

What are aids to trade? Name them.

Answer

Trade is the buying and selling of goods and services and are included within commerce. The activities that are necessary for the smooth buying and selling of goods and services are called aids to trade. These include transport, banks, warehouse facilities, advertisement agencies, insurance etc.

2 F. Question

Answer each of the following questions in two or three sentences:

What are the craft guilds ?

Answer

When the evolution of economy and commerce reached the handicraft stage, it was characterized by the emergence of a group of people who were skilled in production other than those related to agriculture. The farmer's needed tools and houses which was supplied by these people who made tools, built houses etc. this group included professional craftsmen such as carpenters, blacksmiths, weavers, builders. They banded together to form crafts guilds. Their emergence led to the formation of the barter system of exchange.

3 A. Question

Answer each of the following questions in a paragraph:

How do production and exchange play a very important role in our daily life?

Answer

Human life is defined by wants and needs which can be satisfied by goods and services. These goods and services are produced and exchanged for money. The production, distribution and consumption of goods and services involve economic activities. Agriculture and industry produce different goods and services which need to be consumed. To facilitate consumption a proper distribution channel is required. This entire process facilitates the economic development of society as a whole which in turn aids social and personal development.

3 B. Question

Answer each of the following questions in a paragraph:

Explain the different types of economic activities.

Answer

Economic activities are concerned with the production and exchange of goods and services. It can be classified into three different types –

- Business – these activities include mostly the production and exchange of goods.

- Profession – these activities include the supply of technical, specialized and personal services. The services provided by lawyers, doctors etc. fall under this category.
- Employment – any activity that is performed in lieu of wages or salaries from an employer falls under this category. Examples include, agricultural labourers and industrial workers.

Thus, all economic activities are ways to earn income in order to satisfy the various needs and wants in life.

3 C. Question

Answer each of the following questions in a paragraph:

What are the difficulties of Barter System of exchange? How has money solved these problems?

Answer

Barter System of exchange is an important step in the evolution of commerce in any economy. During this step, money is not used as a medium of exchange in the economy. The distribution of goods and services occurs when there is a direct exchange of goods and services for similar objects. Although essentially this form of exchange introduced the concept of business in the economy, it has several problems which have been discussed below:

- Lack of double coincidence of wants: it is rare to find two parties with exactly the need for the goods that are being offered for exchange. If such two parties exist, it is called co-incidence of wants and this double coincidence is rare. For example, party 'A' has wheat and wants paddy. Party 'B' has paddy but wants cotton instead of wheat. This proved to be the main disadvantage of the system.
- Lack of common measure of value: different goods are never of similar value. This makes it difficult to ascertain the ratio of exchange. Party 'A' may consider that one cow is worth 5 sheep, while party 'B' may consider 5 sheep to be worth 2 cows. This hindered the process of exchange.
- Difficulty of sub-division: even if a ratio of exchange is established, it is sometimes impossible to subdivide goods as per the ongoing ratio. A cow may be equal to 10 hens. But the person with the cow cannot exchange one part of the cow for one hen which is his requirement. This causes loss of value.
- Difficulty in storing the goods or in transporting: certain goods particularly perishable ones lose their value over time. It is difficult to store them and exchange for a profit. Without proper storage or the ability to transport over long distances, the owner of such goods is often forced to exchange them at a loss.

To address these difficulties, commerce further evolved to include the use of money. It became a common measure of value which allowed comparison of different commodities. When money converted to paper form from metal, it

could be easily carried and exchanged. It allowed the formation of credit as goods and services could be exchanged for cheques, card payments etc. it was also issued by a central authority and provided governmental validation. It promoted the further growth of commerce at a faster pace.

3 D. Question

Answer each of the following questions in a paragraph:

Which are the important stages of economic evolution? Briefly explain any one.

Answer

Economic evolution involves origin, growth, and continuous development with expansion in various sectors, that contribute and run economies. It has evolved from ancient times through various stages to gain its current position. The various stages that economic evolution has gone through is as follows –

1. Hunting and fishing stage
2. Pastoral stage
3. Agricultural stage
4. Handicraft stage
5. Barter system stage
6. Money Economy stage
7. Town Economy stage
8. International Trade stage

Barter System Stage - During this step, money is not used as a medium of exchange in the economy. The distribution of goods and services occur when there is a direct exchange of goods and services for similar objects. Although essentially this form of exchange introduced the concept of business in the economy, it suffered from several disadvantages. It suffered from a lack of a common measure of value making it difficult to ascertain the ratio of exchange. It was also difficult to find two parties with similar wants to facilitate the exchange of goods. Perishable goods were often exchanged at lower values because of lack of proper storage facilities. All these difficulties led to the introduction of the money in the economy which allowed the further growth of the economy at a faster pace.