

# BUSINESS STUDIES

## Chapter1: BUSINESS, TRADE AND COMMERCE



## BUSINESS, TRADE AND COMMERCE

### Economic and Non-economic Activities:

An individual performs many activities in his day-to-day life. For Example, going to office, spending time with children, watching TV, etc. All the activities performed by an individual can be classified as economic activities and non-economic activities.

### Economic Activities:

Activities which are undertaken by people with an objective of earning livelihood are known as economic activities. For example, a worker working in a factory, a teacher teaching in school. Economic activities can be further classified as business, profession and employment.

- **Business:** It is an economic activity which is concerned with the purchase or production and sale of goods or provision of services with a view to earn income in the form of profit by satisfying the needs of the people.
- **Profession:** It includes those activities which require expert knowledge and special skills to be applied by individuals. in their occupation- Profession includes professional activities which are subject to guidelines or codes of conduct laid down by professional bodies. Those engaged in profession are called professionals and they earn income by charging professional fee.
- **Employment:** It refers to the occupation in which people work for others and get remuneration in the form of wages/salaries. Those who are employed by others are called employees and the one who employs is called employer

Basis	Business	Profession	Employment
<b>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>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>Formal education</b>	A businessman may or may not take	Formal education is a must for a professional to	It depends upon the type of employment whether

	formal education. It is not required.	enter into a profession.	a specific formal education is required.
<b>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>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>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>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>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>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>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>Examples</b>	Builder, Grocery Shop, Shopping mall, etc.	Doctor, Architect, Lawyers, etc.	Receptionist, Clerks, etc.

## Non-economic Activities:

Activities which are undertaken to satisfy social and psychological needs are called non-economic activities. These are concerned with love, sympathy, patriotism, sentiments, etc. For example, cooking food for family, fighting for independence of a country, etc.

### ❖ Characteristics of Business:

- **Economic Activity:** Business is an economic activity as it includes exchange of goods and services with the purpose of earning money or livelihood.
- **Production or Procurement of Good & and Services:** Every business enterprise produces the goods or acquires them from producers to sell them to consumers and earn profit in the process. A businessman can also provide services to the consumer for a value and earn profits.
- **Sale or Exchange of Goods and Services for Value:** Directly or indirectly business involves transfer or exchange of goods and services for value. If goods are produced not for purpose of sale, it cannot be called as business activity.
- **Profit Earning:** The primary objective of business is to earn profit. For this, businessmen make all possible efforts to increase the volume of sales and reduce cost.
- **Uncertainty of Return:** In business, the returns on amount invested are not certain. Also, there is always a possibility of loss.
- **Dealing of Goods and Services on Regular Basis:** Business deals in good & and services on regular basis. One single transaction of sale or purchase does not constitute business.
- **Element of Risk:** Business involves an element of risk. It implies the uncertainty of reward or possibility of loss.

## Classification of Business Activities:

Into two broad categories, various business activities can be classified-

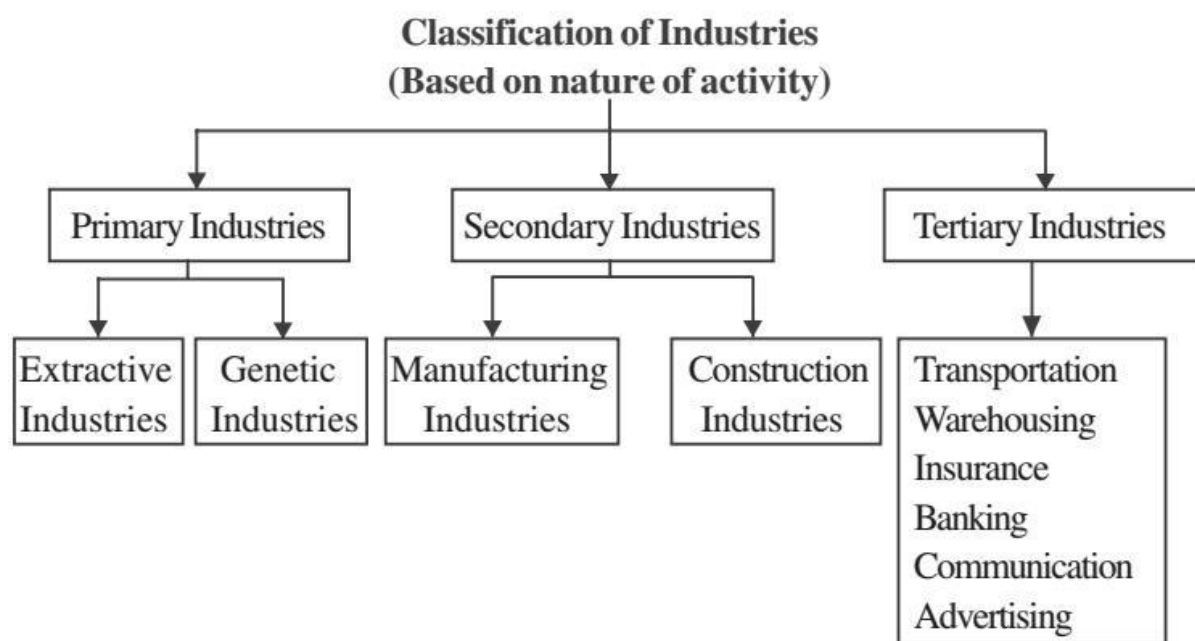
- Industry
- Commerce

### ❖ Industry:

The sector where raw material gets converted into useful products is called industry. Activities related to production & processing as well as activities related to rearing & reproduction of animals or other living species are all included in the industry. The purpose of industry is to create form utility by converting raw materials into useful forms of finished products.

An industry may produce consumer goods or capital goods. Goods such as bread, butter, cloth, radio, etc. are consumer goods. These goods are directly used by the consumer. Goods such as machinery, cement etc. are called capital goods as these are used further in the production process to make useful products.

**Industry can be classified into three broad categories:**



#### ❖ **Primary Industry:**

This is also known as extractive industries. It includes activity connected with the production of wealth directly from natural resources such as water, air, & land etc. Primary industry includes activities like extraction & processing of natural resources etc. These industries are further subdivided as follows:

- **Extractive industry:** These industries extract or draw out products from natural sources. Raw materials that are mostly products of the soil are some basic supply of extractive industries. Manufacturing industries transform these products into many other useful goods. Some of the examples of extractive industries include farming, mining, lumbering, hunting & fishing operation.
- **Genetic industry:** The industries involved in the activities of rearing & breeding of living organism i.e. birds, plants, animals etc. are known as a genetic industry. For example, rearing of cattle for milk, dairy farms, poultry farms, rearing of plants in the nursery, growing fish in ponds etc. are included in the genetic industry.

#### ❖ **Secondary Industry:**

This industry is concerned with converting raw material into finishing product. The materials which have already been extracted at the primary stage is the concern of the secondary industry. Such materials are processed to produce goods for final consumption or for further processing by other industrial units in these industries.

**Secondary industries may be further divided as follows:**

- **Manufacturing industries:** These industries are engaged in the process of conversion of raw materials or semi-finished goods into finished goods. These industries create from the utility by changing the form of raw materials into finished products.
- **Construction industries:** These industries are concerned with the construction of buildings, dams, roads etc. These industries use the products of manufacturing industries such as cement, iron & steel, lime etc.

❖ **Tertiary Industry:**

These industries are concerned with providing those services which facilitate a flow of goods & services. This industry helps in the activities of the primary & secondary industry.

## Commerce:

We can refer to commerce as all those activities which help directly or indirectly in the distribution of goods to the ultimate consumer. There will be no use of producing goods unless & until these goods reach the ultimate consumer. Goods are produced at one place & consumers are scattered at different places. Commerce can be classified into two broad categories:

**Trade:** Trade is an integral part of commerce. It includes buying & selling of goods & services. The trade segment of commerce brings together the manufacturer & the consumer, i.e. it is a link between the manufacturer & the consumer.

**Trade can be classified into two types:**

- ❖ **Internal trade:** It refers to buying & selling of goods or services within the geographical boundaries of a country. It is also known as home trade or domestic trade. Under internal trade, goods & services are bought & sold in the home currency only.

**The internal trade can be two types:**

- **Local Trade:** Buying and selling within a local area.
- **State Trade:** Buying and selling within a single state. That is intra-state trade.
- **National Trade:** Buying and selling between the states. That is Inter-state trade.

- ❖ **External trade:** When the buying & selling of goods & services is beyond the geographical limits of the country it is called external trade. It is also known as trade between two or more countries. In external trade, the market is very wide.

**External trade is of the following types:**

- **Imports:** It refers to the purchase of goods and services from other countries.

- **Exports:** Selling goods and services to other countries.
- **Entreport:** Importing goods and services from one country and exporting to some third country.

#### ❖ Aids to Trade:

The activities which help in the smooth flow of trade are known as aids to trade. These activities make buying & selling of goods easier. These help in removing various hindrances of trade which arises in production & distribution of goods.

**The common aids to trade are:**

- **Transport and Communication:** Transportation helps in the movement of raw material and finished products from the place of production to the place of consumption. Communication enables easy interaction by one party with the another who are far away from each other. It assists in removal of the hindrance cause due to place.
- **Banking and finance:** It helps business activities to overcome the problem of finance by lending loans and credit facilities since business can't survive if funds are not available for procuring material. It assists in removal of the hindrance cause due to finance.
- **Insurance:** It provides protection to businesses from various types of risks such as due to fire, theft etc. It assists in curbing hindrances of risk.
- **Warehousing:** It helps business firms to overcome the problem of storage and facilitates the availability of goods. It assists in curbing hindrances of time.
- **Advertising and Public Relations:** It helps them to increase the sales and widen the customer base by promoting business products or services at a wide spectrum. It is a tool to influence customers. It assists in curbing hindrances caused due to information
- **Middlemen:** These people act as mediators between the producer and consumers. These include wholesalers, retailers etc. It assists in curbing hindrances of persons.

## Objectives of Business

The business objective is a goal, i.e. where the business wants to reach in the future. For example, a business wants to set up its franchise in another state in the next 3 years or it wants to increase its workforce in the coming months.

#### ❖ Economic Objectives of Business:

- **Profit Earning:** Business is a set of activities undertaken with the prospect of sale for the purpose of earning a profit. Profit is the extra income over the expenses. The



main objective of any business is to earn a profit. Just as a plant cannot survive without water, similarly a business cannot sustain without profit.

- **Market Share/ Creation of Customers:** In the words of Drucker, “There is only one valid definition of business purpose; to create a customer. “Profits are not generated out of thin air. They are the result of the hard work of the businessman to satisfy the needs of the customers.
- **Increasing Productivity:** Productivity is a scale to measure the efficiency of the business activity. It is usually the last objective but just as important because productivity is measured by the output given by the activities. It is the end result of any business activity.

#### ❖ Social Objectives of Business:

According to Dayton Hudson “The business of business is serving society, not just making money.” Business is one of the pillars on which the society stands. Therefore, it is a part of the society. In fact, it cannot thrive without the resources from the society. The business earns its income from the sale of products and services to the society. It is mandatory on the part of the business to take care of the social factors.

- **Providing Goods & Services at Reasonable Prices:** Business exists in the first place to satisfy the needs of the society. It’s the first and major social objective of the business. Products and services ought to be of better quality and these ought to be provided at sensible costs. It is additionally the social commitment of business to keep away from misbehaviors like boarding, Black promoting and manipulative advertising.
- **Employment Generation:** One of the major problem today’s generation facing is unemployment. Business generates employment. Therefore, it is the social objective of a business to give chances to beneficial employment to individuals of the society. In a nation like India, unemployment has turned into a critical issue.
- **Fair Remuneration to Employees:** The business does not run on its own but the people are responsible for the success and failure of the business. The people on the inside of the business are more valuable i.e. employees. They are an asset of the business and make a ground-breaking contribution to the business. They must be given reasonable pay for their work.

## Business Risk

Business risk is defined as the possibility of occurrence of any unfavorable event that has the potential to minimize gains and maximize loss of a business. In simple words, business risks are those factors that increase the chances of losses in a business and reduce opportunities of profit.



These factors are not under the control of the business and result in declining profits of the business.

#### ❖ **Nature of Business Risk:**

- Business risk arises due to uncertainties. Uncertainty is when it is not known what is going to happen in future. Examples of uncertainties that affect a business are, change in government policy, change in demand, change in technology, etc.
- Risk is an essential part of the business. The risk involved in a business can be reduced to some extent but it is not possible to eliminate the risk involved.
- Every business has risk which varies in severity based on the type of business. For example a large corporation or business will carry more risk as compared to small scale businesses.
- Businesses take risk with the motive or expectation of earning profit.

#### ❖ **Types of Business Risk:**

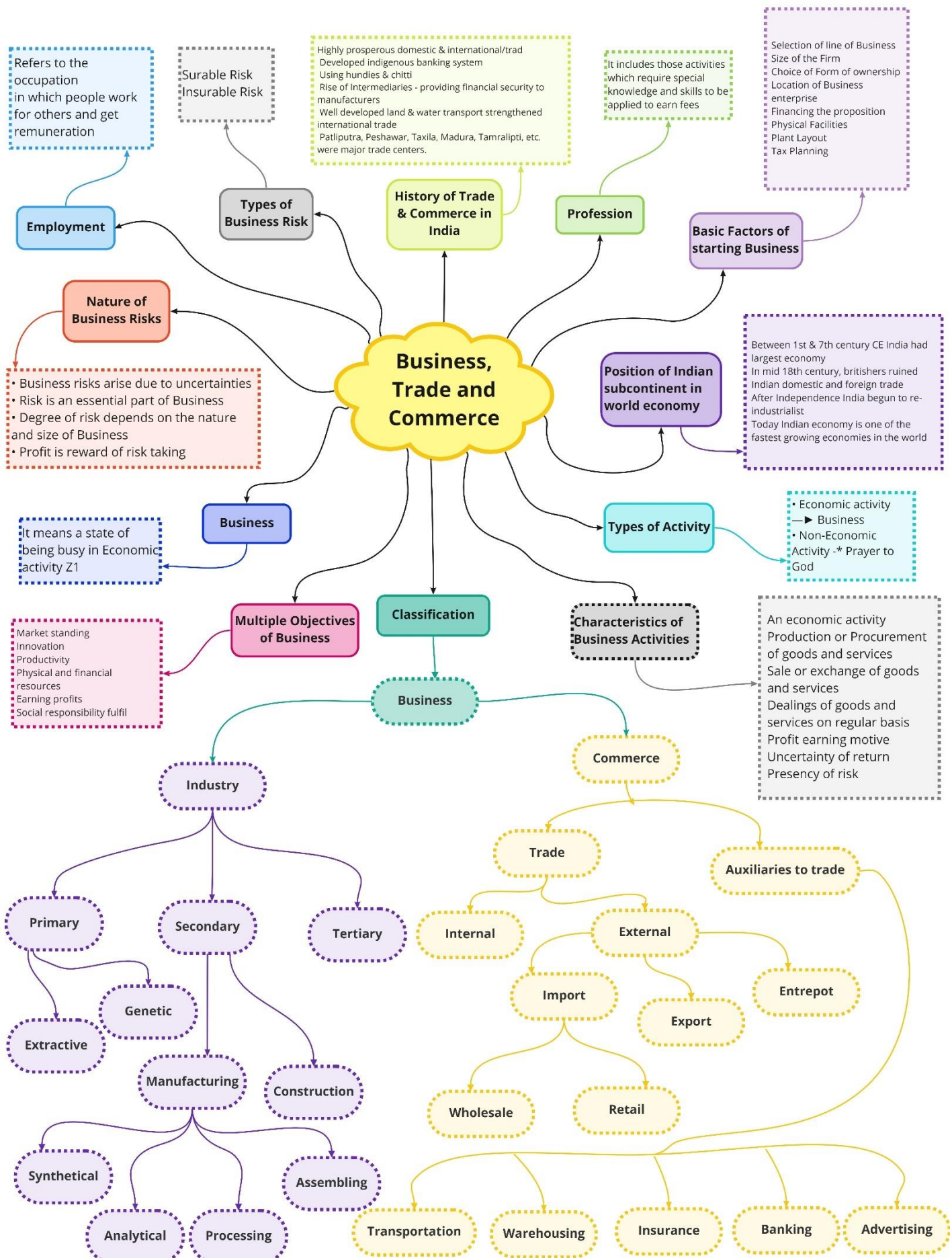
- **Strategic Risk:** Strategic risks are such that can happen to a business at any time. This could be due to the change in customer preferences. Hence, businesses need to have a real time feedback system for recognising customer feedback.
- **Compliance Risk:** Compliance risk relates to the risk that arises from the changing rules by a regulatory body or government that a company needs to adjust accordingly and implement the same in their operations.
- **Financial Risk:** Financial risk is related to the financial health of the business. It relates to the companies ability to carry on operations in case of non-payment by some clients.
- **Operational Risk:** Operational risk is where there is a risk arising from the execution of the processes or operations of the business. It can be due to sudden breakdown of machinery or the system which can result in delay in operations, that can be detrimental to the business.
- Before starting a new business venture, an entrepreneur must carefully consider various aspects. He or she must evaluate each aspect, considering the various positive and negative consequences. The following are some of the important factors that must be considered while starting a business.

#### ❖ **Factors to start a Business:**

- **Selecting the line of business:** The line of business is the foremost decision that involves choosing the kind of product to produce, analysing its existing and future market demand, profit considerations and the level of technical knowhow possessed by the entrepreneur.

- **Scale of the business:** Once the line of business is selected, the entrepreneur needs to decide the scale of the business, i.e., the business size, whether to operate on large scale or small scale.
- **Location:** The choice of business location is dependent on numerous factors such as easy and cheap availability of raw material and labour, well-connected transportation facilities, and power and other infrastructural facilities. Generally, locations where good infrastructure is available are preferred.
- **Financial requirement:** Finance is required for every aspect of business—from the purchase of raw material and machinery to further investment for the growth of the business. Therefore, while starting a business, the availability of alternatives to raise funds must be carefully analyzed.
- **Efficient workforce:** A competent and trained workforce is the basic input to carry on various business activities. In this regard, the entrepreneur must appropriately identify the requirement of human resources for the business, both at the worker level and at the managerial level.
- **Physical requirements:** These requirements include machinery, other equipment, tools and technology that add to the efficiency of a business. The entrepreneur must carefully consider and decide the physical requirements on the basis of the nature and production scale of the business.

Class : 11th Business Studies  
Chapter - 1 : Business, Trade and Commerce



## Important Questions

### Multiple Choice questions-

1. Which one of the following is NOT the objective of the business?
  - A. Investment
  - B. Innovation
  - C. Creation of customers
  - D. Profit-making
2. Which one of the following is an economic activity in which specialized knowledge is required?
  - A. Profession
  - B. Business
  - C. Employment
  - D. None of the above
3. Commerce includes activities relating to trade and \_\_\_\_\_ to trade.
  - A. Auxiliaries
  - B. Subsidiaries
  - C. Supporting
  - D. None of the above
4. Bad debts due to non-payment of debt by the debtor are an example of which type of business risk?
  - A. Human
  - B. Natural
  - C. Physical
  - D. Economic
5. Which of the following is an economic cause of business risks?
  - A. Demand for goods
  - B. Competition
  - C. Price
  - D. All of the above
6. Business risk is not likely to arise due to
  - A. Power failure
  - B. Employee dishonesty

- C. Changes in government policy
  - D. Good management
7. The word marketing standing is concerned with \_\_\_\_\_
- A. Position of an enterprise
  - B. Supply of the product
  - C. Customers
  - D. Competitors
8. Why a business should earn a profit?
- A. To provide a return to investors
  - B. To increase the reputation of the business
  - C. To provide funds for future growth
  - D. All of the above
9. Which one of the following is NOT an Auxiliary to trade?
- A. Mining
  - B. Warehousing
  - C. Insurance
  - D. Transport
10. Which of the following is not a natural cause of business risks?
- A. Earthquake
  - B. Strikes
  - C. Famine
  - D. Heavy Rains
11. Which of the following is not concerned with the profession?
- A. Manufacturing goods and services
  - B. Specialised body of knowledge and skill
  - C. Code of conduct
  - D. Formal Training
12. Which of the broad categories of industries covers oil refinery and sugar mills?
- A. Primary
  - B. Secondary
  - C. Tertiary
  - D. None of the above
13. Which of the following is an instrument of exchange, which was prominent in the

subcontinent?

- A. Copper
- B. Hundi
- C. Gold
- D. Silver

14. The occupation in which people work for others and get remunerated in return is known as:

- A. Profession
- B. Employment
- C. Business
- D. None of the above

15. The industries which provide support services to other industries are known as

- A. Primary industries
- B. Commercial industries
- C. Tertiary industries
- D. Secondary industries

### Very Short:

1. What are the different types of economic activities?
2. Name one economic pursuit, in which expertise is required.
3. Name the industries that furnish support to other fellow industries.
4. Can fishing be contemplated as a primary industry?
5. What is the reward that a businessman earns for bearing risk?
6. Sort the following into a business concern, employment and profession.
  - Farmer
  - Clerk
  - Lawyer
  - Doctor
7. Under which type of industry do oil refinery and sugar mills are classified?

### Short Questions:

1. What is the difference between Business and Profession?
2. Mention the risks that are involved in the business.
3. What are the objectives of the business?
4. What is Commerce and its significance in modern life?



5. What are the differences between primary and secondary industry?
6. How does a trader get rid of the hindrance of a person?
7. Insurance is known as the tertiary industry. Explain.

### Long Questions:

1. Explain in detail the social objectives of the business in today's context.
2. Can profit be the sole objective of a business? Explain the reasons in favor and against the profit objective of the business.

### Case Study Questions-

1. Read the following passage and answer the questions given below

Saransh and Vishal have their pharmaceutical factory in Jaipur. Their main focus is providing quality products at reasonable prices. They procure the services of a renowned medicine specialist Mr. Andrews from Germany who gives them feedback about the quality of their products. Because of increasing competition with foreign Pharmaceutical Companies, their market share is decreasing and they are suffering huge losses.

To ensure their existence in the market, their management is concentrating on full usage of machines, and reducing wastage, and effective promotion of their products to increase the sales.

(i) "Mr. Andrews from Germany who gives them feedback about the quality of their ....." Identify the economic activity Mr. Andrews performs.

- (a) Business
- (b) Profession
- (c) Employment
- (d) Partnership

(ii) "Because of increasing competition with foreign Pharmaceutical Companies, their market share is decreasing..." Name the type of risk related to the above-stated line.

- (a) Speculative risk
- (b) Foreign risk
- (c) Pure risk
- (d) All of the above

(iii) Pharmaceutical industry is an example of which of the following types of secondary industries?

- (a) Genetic
- (b) Analytical
- (c) Synthetic
- (d) Processing



(iv) Match the different manufacturing industries with their suitable examples.

Nature and Purpose of Business:

Column I		Column II	
1.	Analytical industry	i.	Cement
2.	Synthetic industry	ii.	Television
3.	Processing industry	iii.	Oil refining
4.	Assembling industry	iv.	Sugar

(a) 1. (i), 2. (iii), 3. (iv), 4. (ii)

(b) 1. (iii), 2. (i), 3. (iv), 4. (ii)

(c) 1. (iv), 2. (i), 3. (iii), 4. (ii)

(d) 1. (iii), 2. (i), 3. (ii), 4. (iv)

(v) "To ensure their existence in the market, their management is concentrating..." Which economic objective is indicated in this statement?

(a) Survival

(b) Profit

(c) Growth

(d) Diversification

2. Read the following passage and answer the questions given below.

Oorza Limited is the manufacturer and trader of electrical goods. The company's efficient management team, and effective marketing strategies have enabled it to carve a niche in the industry, allowing it to stand out. But, over the past few years, its profit margins and customer loyalty have been going down. After analysis of the reasons for lowering performance, the company executives suggested how CSR can improve profits. They understand that CSR can promote respect for their company in the marketplace which can result in higher sales, and enhance employee loyalty. Also, CSR activities focusing on sustainability issues may lower costs and improve efficiency as well. The company followed the CSR initiatives and is able to regain its market position and increase its goodwill.

(i) Which objective will be fulfilled by the company through CSR?

(a) Economic

(b) Social

(c) Legal

(d) Personal

(ii) Identify which of these is not a role of profit as stated above.

(a) Survival of business

(b) Enhancing goodwill

- (c) Increasing efficiency
- (d) Enhancing customer loyalty

(iii) Match the following services to trade with the hindrances which they remove.

Column I		Column II	
1.	Transport	i.	Information
2.	Insurance	ii.	Storage
3.	Warehousing	iii.	Place
4.	Advertising	iv.	Person

- (a) 1. (iv), 2. (iii), 3. (ii), 4. (i)
- (b) 1. (iii), 2. (ii), 3. (iv), 4. (i)
- (c) 1. (iii), 2. (iv), 3. (ii), 4. (i)
- (d) 1. (iii), 2. (iv), 3. (i), 4. (ii)

(iv) Identify the term which is related to uncertainties about the returns and chances of losses in the business.

- (a) Risk
- (b) Market trend
- (c) Natural calamities
- (d) Market standing

(v) "...may lower costs and improve efficiency as well." If the company is able to achieve it, which business objectives are accomplished by the company?

- (a) Profit maximization
- (b) Social responsibility
- (c) Growth and expansion
- (d) All of the above

## ANSWER KEY

### Multiple Choice questions-

1. Investment
2. Profession
3. Auxiliaries
4. Human
5. All of the above
6. Good management

7. Position of an enterprise
8. All of the above
9. Mining
10. Strikes
11. Manufacturing goods and services
12. Secondary
13. Hundi
14. Employment
15. Tertiary industries

### Very Short Answer-

1. There are various types of economic activities. Namely,
  - Profession
  - Business
  - Employment
2. Profession is an economic pursuit, in which expertise is required.
3. Tertiary industries are involved in furnishing support to all the primary and secondary industries.
4. Yes.
5. When a businessman bears the risk, the reward that he'll get is – earning the profit.
6.
  - Farmer – Business
  - Clerk – Employment
  - Lawyer – Profession
  - Doctor – Profession
7. Secondary industry

### Short Answer-

1.

Business	Profession
In the business, capital investment is necessary according to the size and nature of the business.	In the profession, limited capital is required for the establishment of the business enterprise.

Here, profits are uncertain.

Here, the risk factor is not to that extent.

2. Every aspect has its own risk factors. So does business has too. Namely,
  - Business risks arise due to a few uncertain and unexpected situations
  - It is a quintessential part of any business
  - However, profit is the reward for bearing the risks
3. Objectives of business are mentioned below:
  - **Innovation:** Every business concern must come up with novice ideas, inventions and implement them; which are helpful for survival and growth.
  - **Productivity:** Productivity is certainly determined by contrasting the value of the output with the value of the input.
  - **Earning Profits:** Any business entity that is operating must earn a reasonable amount of profits in order to sustain survival and growth.
4. Commerce is the control of business among economic agents. Usually, it refers to the exchange of commodities, services or items of value, among companies or entities.

The significance of Commerce are:

- Commerce acts as a catalyst between the manufacturers and customers.
- It establishes employment opportunities.
- It encourages trade in the global level.
- Assists in the growth of developing the industries.
- Helps during exigencies like the natural calamities – earthquake, flood, drought etc.

5.

Primary	Secondary
Pursuits that are concerned with the extraction and manufacturing of natural resources.	These industries manufacture raw materials to produce the commodities for final utilisation.
Classified as follows: <ul style="list-style-type: none"> <li>• Extractive industries</li> <li>• Genetic industries</li> </ul>	Classified as follows: <ul style="list-style-type: none"> <li>• Manufacturing industries</li> <li>• Construction industries</li> </ul>
Example: Mining, fishing	Example: Oil refinery, Sugar mill

6.

- Getting rid of hindrance of a person by making the commodities obtainable to the customers from the manufacturers via trade.
- Transportation removes hindrance of a location by transporting the commodities from the place of manufacturing to the market place for selling purpose.
- However, insurance removes the hindrance of perils of loss or damage of commodities due to fire, theft and accidents etc.,
- Advertising removes the hindrance of the data by keeping the customers informed regarding the commodities and services that are obtainable in the market place.

7. Insurance is the support service to both the primary and secondary industries.

The tertiary industry is the section of the economy that contributes services to its customers, including a broad array of businesses such as schools, financial institutions and restaurants. It is also called as the tertiary sector or service industry/sector.

### Long Answer-

1. **Social Objectives:** Business does not exist in a vacuum. It is an integral part of society and it can achieve its economic objectives only by having deep roots in the society. According to Henry Ford, "The purpose of business is not only earning profit but also discharging responsibilities towards the society," A business must be guided by social objectives since it is a part of the society and gets men, materials, and machines from the society only.

The decision taken by the business has a great influence on the socio-economic conditions in the country. Business is not merely an economic entity, it is a social institution as well. Therefore, it is in the interest of business to pursue certain objectives that are expected by people.

The social objectives of the business are as follows:

1. **Better Quality Goods at Fair Prices-** The business must provide better quality products as desired by the customers. Quality means purity as in the case of food items and medicines or safety as in the case of electrical goods or durability as in the case of TV and refrigerator. Consumers prefer the products which are of satisfactory quality and are available at reasonable prices.

In fact, consumers have become increasingly conscious of quality and want value for money. Therefore, an important objective of a business is to produce and supply goods of proper quality to satisfy the expectations of consumers. The prices charged for the goods should also be reasonable.

2. **Fair Trade Practices-** Anti-social practices include hoarding, black marketing, and adulteration. Making false claims in advertisements to mislead and exploit people is an example of unfair trade practice. Such

practices are not only illegal but bring a bad name to the business community. Therefore, businessmen must avoid such means of making money. The business should follow fair business practices all the time.

3. **Generation of Employment-** Every business should grow and expand its operations to create new frontiers of employment for society. The business has tremendous scope for the generation of employment opportunities. Business must provide employment without any discrimination on account of caste, creed, religion, or sex. Business is expected to give special consideration to handicapped and weaker sections of society in the matter of employment. Business firms that pursue this objective can improve their public image.
  4. **Employment Welfare-** Employees are a valuable asset and they make significant contributions towards the success of the business. It is an important responsibility of the business to promote the welfare of the employees. Businesses must recognize the dignity of labor and treat employees as partners rather than as mere working hands. Businesses must provide good working conditions, housing, transport, and medical facilities besides fair wages to their employees.
2. Can profit be the sole objective of a business? – Despite the indispensable role in business, profit cannot be the all and all of the business. Profit maximization objective is undesirable and social accountability is also the responsibility of business. According to Urwick, “Earning of profits cannot be the objective of a business any more than eating is the objective of living.”

A business unit is an economic entity in which various factors of production are used. Capital is one of the factors of production and the reward for investing capital is given in the form of profit. Therefore, a business should not be run only to maximize the reward of one factor of production, i.e., the capital. Besides earning profits, it should also aim at the satisfaction of customers, the welfare of workers, community service, etc.

The argument in favor of profit as the sole objective: Earning profits is essential for a business due to the following reasons:

1. It is a sign of healthy business as profit is the chief motivating factor in business.
2. It would provide sufficient return to the investors of capital. Profit is considered to be an index of success in business.
3. It would provide funds for reinvestment in the business.
4. A profit-making concern enjoys goodwill in society.
5. The assets of the business would be used for maximizing profits. Misuse of assets would thus be avoided.

Arguments against profit maximization: Profit maximization should not be the sole motive of any business. The arguments against profit maximization are as under:

1. Profit maximization ignores the interests of labor, customers, and society.
2. Unfair means such as hoarding, black marketing, or adulteration may be followed to maximize profits.
3. The long-term interest of the business may be ignored to maximize profits in the short-run.
4. In the present-day environment, a business can't be effective with the sole objective of profit maximization. It must also set objectives in areas like customer satisfaction, social responsibility, environmental protection, research, and development, etc.

The profit-making and social service objectives of the business are not contradictory to each other, they go hand in hand. According to Henry Ford, "Mere money chasing is not business. The businessman who keeps his customers satisfied by service will definitely earn good profits."

To conclude earning profits through service to society is the real objective of the business.

## Case Study Answers-

1.

(i)(b) Profession

**Explanation:** A profession is an occupation founded upon specialized educational training, the purpose of which is to supply disinterested objective counsel and service to others, for a direct and definite compensation, wholly apart from expectation of other business gain. A profession is not a trade and not an industry.

(ii) (a) Speculative risk

**Explanation:** Speculative risk is a category of risk that, when undertaken, results in an uncertain degree of gain or loss. In particular, speculative risk is the possibility that an investment will not appreciate in value. Speculative risks are made as conscious choices and are not just a result of uncontrollable circumstances.

(iii)(d) Processing

**Explanation:** Secondary Industries which are essentially manufacturing or assembling industries. It receives raw materials from primary industries and processes them to commodities for the customers. Example: Food manufacturing, Textile manufacturing etc.

(iv)(b) 1. (iii), 2. (i), 3. (iv), 4. (ii)

**Explanation:** Analytical industry is the industry which analysis and separates different elements from the same materials.

Synthetic industries are those industries that combine various ingredients and make a new product like Cement, fragrance and plastics.

The process industries are those industries where the primary production processes are either continuous, or occur on a batch of materials that is indistinguishable.



Assembling industry: These industries are engaged in bringing together various components or parts of bicycles, television, radio and these are some examples of assembling industries.

**(v)(a) Survival**

**Explanation:**Business survival refers to keeping the business operating for a certain amount of time. Most businesses initially aim to survive their first year. Profit refers to any money left over after all costs have been taken away from any revenue made by a business.

**2.**

**(i)(b) Social**

**Explanation:**Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.

**(ii)(d) Enhancing customer loyalty**

**Explanation:**Customer loyalty is an ongoing positive relationship between a customer and a business. It's what drives repeat purchases and prompts existing customers to choose your company over a competitor offering similar benefits.

**(iii) (c) 1. (iii), 2. (iv), 3. (ii), 4. (i)**

**Explanation:**Traders act as link between consumers and producers. Traders remove hindrance of persons by making goods available to consumer from producers.

**(iv)(a) Risk**

**Explanation:**Business risk is the exposure a company or organization has to factor(s) that will lower its profits or lead it to fail. Anything that threatens a company's ability to achieve its financial goals is considered a business risk. There are many factors that can converge to create business risk.

**(v)(a) Profit maximization**

**Explanation:**Profit maximisation is a process business firms undergo to ensure the best output and price levels are achieved in order to maximise its returns. Influential factors such as sale price, production cost and output levels are adjusted by the firm as a way of realising its profit goals.