

**LATEST
EDITION**



CBSE

QUESTION & CONCEPT BANK

Chapter-wise & Topic-wise

CLASS 11



Chapter-wise

CONCEPT MAPS



Definitions & Summarized Concepts

NCERT & SMART SNAPS



Important Questions & MCQ's

POWER PRACTICE



BUSINESS STUDIES

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Chapter 1

BUSINESS TRADE & COMMERCE



LEARNING OBJECTIVES

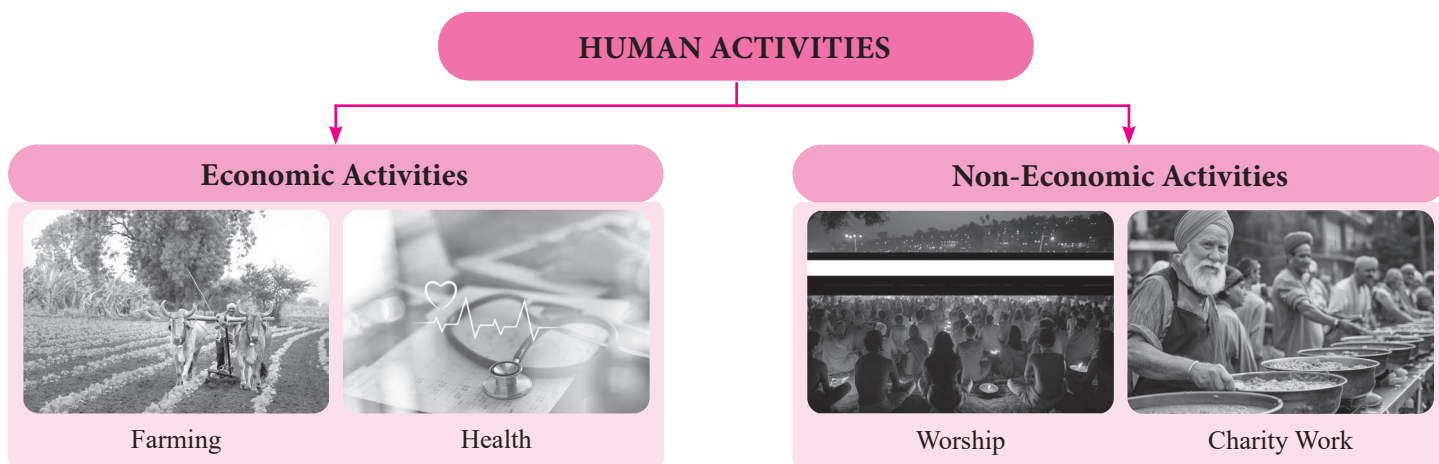
By the end of this chapter, students will be able to:

- ❖ Learn what constitutes business and its basic features like economic activity, risk, and profit motive.
- ❖ Compare various economic activities based on nature of work, reward, and qualification.
- ❖ Understand economic and social objectives like earning profit, innovation, and social responsibility.
- ❖ Distinguish between industry and commerce, and their respective branches.

HUMAN ACTIVITIES

Human activities are all the activities undertaken by people to satisfy their needs and wants. These can broadly be classified into:

- Economic Activities
- Non-Economic Activities



Economic Activities

Those activities that are undertaken with the object of earning money or livelihood.

Purpose: To earn income, wealth, or profit.

Examples: Activities to earn money, such as teaching, selling, farming, and providing medical services.

Non-Economic Activities

Those activities that are not performed to earn money but for personal satisfaction, love, sympathy, or religious obligation.

Purpose: Personal satisfaction, emotional or social needs.

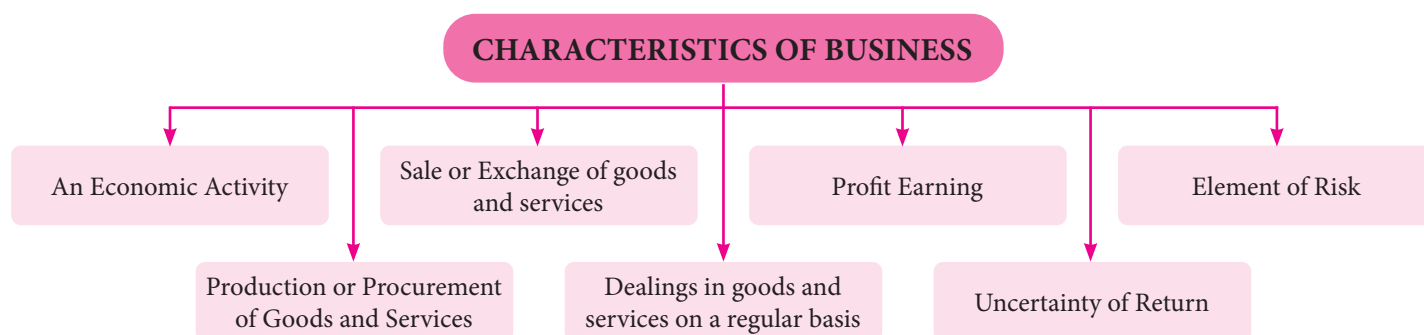
Examples: Activities for love, care, learning, or social service, not for earning money.

Difference between Economic and Non-Economic Activities

Basis	Economic Activities	Non-Economic Activities
Objective	To earn money or a livelihood	To gain personal satisfaction
Monetary return	Yes (income, salary, profit)	No monetary gain
Examples	Shopkeeping, doctor charging fees	Helping a friend, cooking for family
Nature	Commercial	Social, religious, and emotional
Outcome	Creates wealth	Does not create wealth

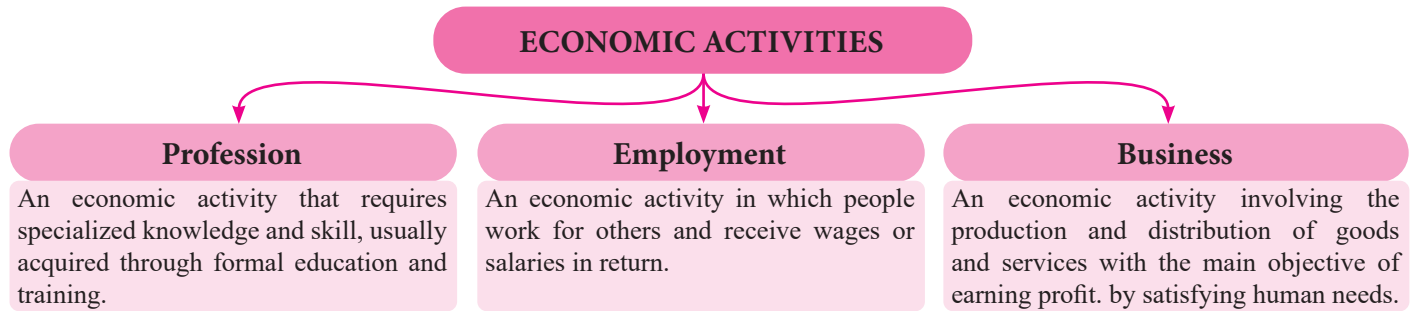
CONCEPT OF BUSINESS

Business refers to an economic activity involving the production, purchase, or sale of goods and services with the primary aim of earning profits. Its main characteristics include:



- 1. Economic Activity** - Business is primarily an economic activity because it is carried out to earn income and create wealth.
Example: A person manufacturing shoes and selling them to customers.
- 2. Production or Procurement of Goods and Services** - Every business enterprise either produces goods or procures them from producers to sell to consumers.
Example: A bakery produces cakes, while a retail store procures items from wholesalers.
- 3. Sale or Exchange of Goods and Services** - There must be a transfer or exchange of goods and services for value (money). Mere production or consumption is not business.
Example: A person making clothes for personal use is not doing business, but selling them in a shop is business.
- 4. Profit Earning** - The primary aim of business is to earn profit, which serves as a reward for the risks taken and is necessary for survival and growth.
Example: A shopkeeper aims to sell products at a price higher than the cost to earn a profit.
- 5. Uncertainty of Return** - Business involves risk and uncertainty. There is always a possibility of loss due to changing market conditions, competition, or unforeseen events. **Example:** A garment business may incur losses due to off-season sales or reduced demand.
- 6. Element of Risk** - Risk is an inherent part of business due to factors like natural calamities, changing tastes, or economic policies.
Example: A crop business may suffer losses due to poor rainfall.
- 7. Regularity in Dealings** - Business requires regular dealings or transactions in goods and services. A one-time sale is not considered business.
Example: Selling your old furniture once is not a business, but doing it regularly is.
- 8. Legal and Social Obligations (Implied)** - Modern business is expected to follow laws and ethical practices and contribute to the welfare of society.

Types of Economic Activities



Differences between Business, Profession, and Employment

Basis	Business	Profession	Employment
Nature of Work	Production and exchange of goods/ services	Personalized expert services	Performing assigned duties for the employer
Qualification	No formal qualification required	Requires specialized education and training	Depends on the job; it may require specific qualifications
Capital Investment	Large capital is often needed	Limited capital for setting up a practice	Minimum or no capital needed
Reward/Return	Profit	Professional fee	Salary or wages
Risk Involved	High risk and uncertainty	Limited risk	Almost no risk – fixed income
Regulation	Governed by business laws and tax regulations	Regulated by professional bodies (e.g., MCI, BCI)	Governed by service rules or contract
Code of Conduct	No formal code, but ethical business is expected	Must follow the code of conduct set by the professional body	Must follow the employer's rules and code
Transferability	Can be transferred to others or inherited	Cannot be transferred (based on personal skill)	Not transferable; the job is personal
Example	A textile manufacturer sells clothes in the market.	A doctor treating patients, a lawyer giving legal advice.	A teacher working in a private school or a bank clerk.

OBJECTIVES OF BUSINESS

All objectives can be divided into three categories:



Economic Objectives

The term “economic objective” refers to a goal that is focused on making a profit and is pursued to accomplish it. The economic objective is further divided into the following parts:

- Survival:** Every company was founded to survive in a business environment. The state of living or being alive is referred to as survival.
- Profit:** Any business’s main goal is to make money. Both a company’s survival and expansion depend on its profitability. Profit is the sum of money received from the sale of a product, and it must exceed the product’s cost.

- (c) **Growth:** Every company aspires to grow after turning a sufficient profit and persisting for a considerable amount of time. When a business reaches its point of expansion, it is said to be growing.
- (d) **Market Standing:** A business must aim to capture a good share of the market to build a reputation and gain customer loyalty.
- (e) **Innovation:** Developing new products, improving production methods, and exploring new markets are key to staying competitive.
- (f) **Optimum Utilisation of Resources:** Business should use men, material, money, and machinery efficiently to maximize output and minimize waste.

Social Objectives

Business is an essential component of society. It makes use of societal resources. It makes money by selling goods or services to members of society. As a result, it becomes mandatory for the businessman to contribute to society. These are related to society's welfare and ethical conduct.

- (a) **Supply of Quality Products:** The Business should provide good quality goods at reasonable prices.
- (b) **Avoidance of Anti-Social Practices:** Avoid being involved in unfair trade practices like **black marketing, hoarding, adulteration**, etc.
- (c) **Employment Generation:** Businesses should create job opportunities for the community.
- (d) **Welfare of Employees:** Providing fair wages, safe working conditions, and welfare facilities.
- (e) **Pollution Avoidance:** Every company should be careful not to pollute the environment. The businessman should produce and dispose of waste materials in an environmentally friendly manner.

Human or Personal Objectives

A company's ability to succeed depends heavily on its human capital. Every person has personal goals they wish to accomplish. Companies should be heavily involved in helping their employees reach their personal goals.

- (a) **Fair Remuneration:** Employees should receive fair pay matching their efforts and industry norms.
- (b) **Employee Welfare:** Businesses must ensure safe and supportive working conditions with necessary facilities.
- (c) **Development and Training:** Companies should offer training to enhance employee skills and adaptability.
- (d) **Participation in Management:** Employees should be involved in decisions to boost their engagement and belonging.
- (e) **Job Satisfaction and Motivation:** A respectful, growth-oriented workplace keeps employees motivated and productive.

ROLE OF PROFIT IN THE BUSINESS

Profit is not just a financial gain, but a vital force that drives the business forward. Profit is crucial for the following reasons:

1. **Source of Income:** Profit is the main income for business owners and is essential for covering costs and ensuring survival.
2. **Measure of Efficiency:** Higher profits indicate effective management, resource use, and customer satisfaction.
3. **Funds for Growth:** Profits are reinvested for business expansion, new technology, and improved operations.
4. **Improves Reputation:** A profitable business earns trust, attracts investors, and gets easier access to credit.
5. **Reward for Risk:** Profit compensates for the risks taken by entrepreneurs in uncertain market conditions.
6. **Ensures Survival:** Sustained profits help the business meet expenses and continue operations long-term.



CLASSIFICATION OF BUSINESS ACTIVITIES

Industry and commerce are two broad categories into which a variety of business activities can be divided.

The production or processing of materials and goods is the focus of industry. All of the activities required to facilitate the exchange of goods and services are included in commerce.

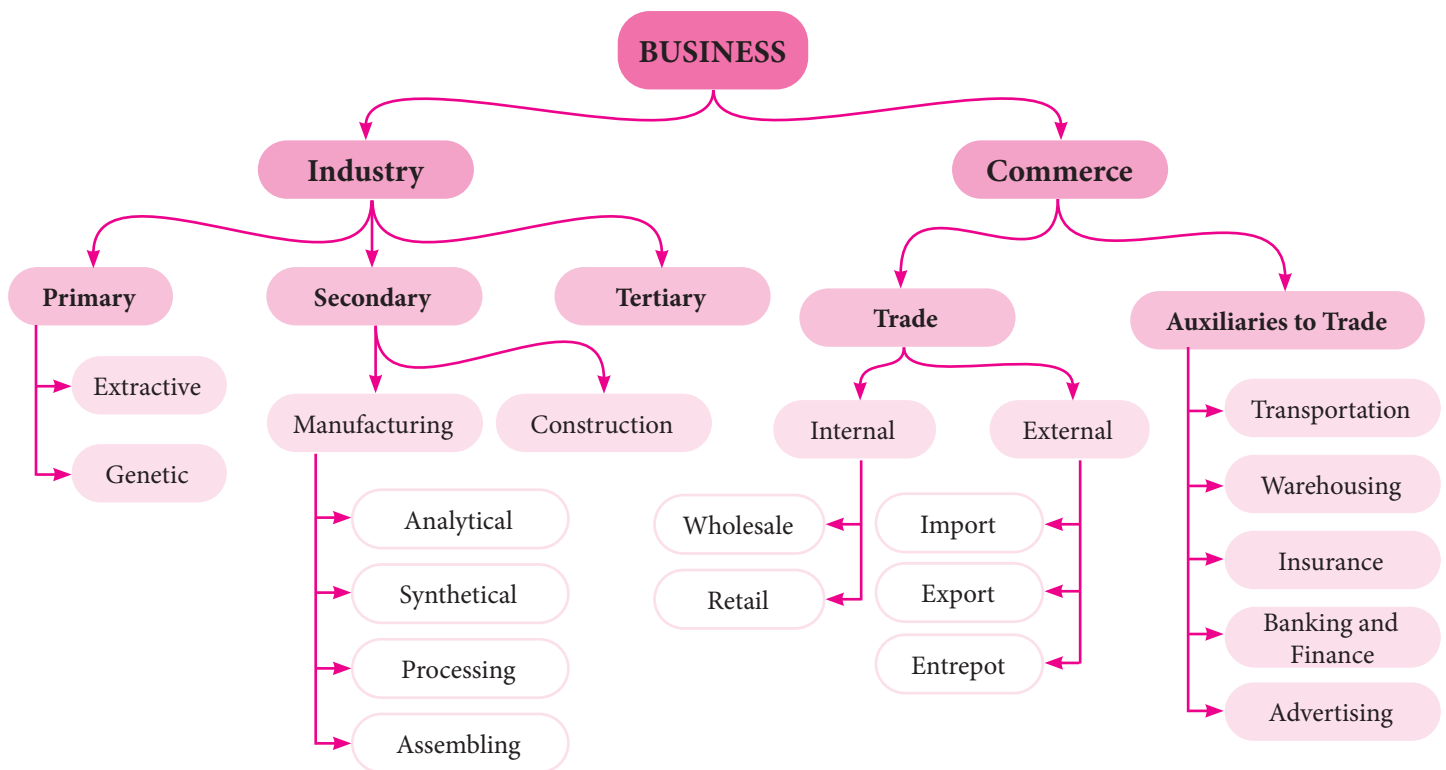
3. **Insurance:** Protects businesses from risks like theft, fire, or accidents by offering compensation, thus reducing the hindrance of risk.
4. **Warehousing:** Stores goods safely until needed, helping balance supply and demand over time and removing the hindrance of time. It also protects goods from damage and theft.
5. **Advertising:** Advertising shares important information about products and services to consumers, helping promote sales by informing them about features, price, uses, and quality. This removes the barrier of information between sellers and buyers.

Functions of Commerce:

Type of Hindrance	Description
Hindrance of Person	Trade helps move goods from producers to consumers.
Hindrance of Place	Transportation moves goods from factories to markets.
Hindrance of Time	Warehousing stores goods so they are available when needed.
Hindrance of Risk	Insurance protects goods from loss due to fire, theft, or accidents.
Hindrance of Finance	Banking provides funds for buying raw materials, assets, and covering expenses.
Hindrance of Information	Advertising informs consumers about available goods and services.



CONCEPT MAP



BUSINESS RISK

Business risk is the chance of losing profit due to unexpected events.

It is of two types:

1. **Pure Risk:** Causes only loss or no loss, like natural disasters.
2. **Speculative Risk:** Can lead to profit or loss, depending on market changes.





IT'S TIME FOR EXERCISES

Multiple Choice Questions

1. Which of the following is a human objective of business?

- (a) Earning foreign exchange
- (b) Increasing production
- (c) Ensuring fair return to shareholders
- (d) Providing employee welfare and development

Ans: (d) Providing employee welfare and development

Human objectives relate to the well-being of employees. Offering better working conditions, fair wages, training, and development opportunities helps employees grow and stay motivated.

2. Ravi started a fruit juice stall at a local fair. He buys fresh fruits every morning, makes juices, and sells them to customers. He earns profits on some days and losses on others. Which characteristics of business are shown in this case?

- (a) Involvement of salary and job security
- (b) Uncertainty of return and sale of goods
- (c) Regular income and job satisfaction
- (d) Fixed income and no risk

Ans: (b) Uncertainty of return and sale of goods

Ravi is buying goods (fruits), processing them, and selling them, which shows business activity. The variation in profit/loss shows uncertainty of return.

3. Secondary sector includes which of the following activities?

- (a) Farming
- (b) Mining
- (c) Manufacturing and construction
- (d) Transport

Ans: (c) Manufacturing and construction

The secondary sector involves activities related to manufacturing and construction, such as turning raw materials into finished products.

4. Which of the following is a function of warehousing?

- (a) Provide loans to businesses
- (b) Store goods safely until they are sold
- (c) Advertise goods to potential customers
- (d) Offer protection against goods being damaged

Ans: (b) Store goods safely until they are sold

Warehousing ensures goods are stored safely, maintained, and made available for distribution when needed.

5. A company transports its products to various countries and provides a detailed plan to mitigate the risk of goods being damaged or stolen during transportation. Which aid to trade is the company primarily using?

- (a) Warehousing
- (b) Transport
- (c) Insurance
- (d) Advertising

Ans: (c) Insurance

The company is using insurance to protect its goods during transportation, ensuring that they are covered against risks.

6. Profit in business is important because it:

- (a) Ensures stability in the long run
- (b) Guarantees that businesses will not face losses
- (c) Is only useful for the shareholders
- (d) Helps in making ethical decisions

Ans: (a) Ensures stability in the long run

Profit is the key to sustaining operations and achieving long-term growth. It acts as a financial cushion and enables businesses to withstand market fluctuations.

7. Which of the following factors contribute to business risk?

- (a) Interest rate fluctuations
- (b) Employee satisfaction
- (c) Regular customer feedback
- (d) Company ethics

Ans: (a) Interest rate fluctuations

Interest rate fluctuations are an external factor that can increase the cost of borrowing and affect a business's profitability, contributing to business risk.

8. Which of the following is an internal factor contributing to business risk?
- (a) Natural disasters (b) Changes in government policy
(c) Poor management decisions (d) Economic downturn

Ans: (c) Poor management decisions

Poor management decisions are an internal factor because they originate within the organization and can directly affect the business's performance and stability.

9. What is one of the key differences between business risk and uncertainty?
- (a) Business risk can be measured and quantified, but uncertainty cannot
(b) Business risk is always negative, while uncertainty is always positive
(c) Business risk occurs only in large businesses
(d) Uncertainty can be avoided through good management

Ans: (a) Business risk can be measured and quantified, but uncertainty cannot

Business risk involves measurable probabilities of loss, whereas uncertainty refers to unknown factors that cannot be predicted or quantified.

10. Business risk can be caused by:

- (a) The government setting up a monopoly (b) Inconsistent supply of raw materials
(c) Positive customer feedback (d) An increase in employee morale

Ans: (b) Inconsistent supply of raw materials

An inconsistent supply of raw materials is a business risk because it can cause delays in production, leading to losses.

Assertion-Reason Based MCQs

Directions: In the questions given below, there are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the correct option:

- (a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

1. **Assertion (A):** Construction industries are involved in creating infrastructure like roads and bridges.

Reason (R): Construction industries work with intangible goods only.

Ans: (c) Assertion is true, but the reason is false because construction deals with tangible goods like cement, steel, etc.

2. **Assertion (A):** Fire, flood, and earthquakes are examples of pure risks.

Reason (R): Pure risks always result in gain or loss.

Ans: (c) Assertion is true, but reason is false. Pure risks only lead to loss or no loss, not gain.

3. **Assertion (A):** Primary industries provide raw materials to manufacturing industries.

Reason (R): Manufacturing industries do not depend on extractive or genetic industries.

Ans: (c) The assertion is true, but the reason is false. Manufacturing does depend on primary industries.

4. **Assertion (A):** A Chartered Accountant running their own practice is in a profession.

Reason (R): Professions require specialized knowledge and formal qualifications.

Ans: (a) A Chartered Accountant is a professional. The reason is correctly explained.

5. **Assertion (A):** Employment has low or no risk.

Reason (R): The employee does not bear the losses or expenses of the organization.

Ans: (a) Both are true. The employee is entitled to a salary regardless of the profit/loss of the business.

Picture Based MCQs

1. Which hindrance is overcome through the aid to trade depicted in the given image?

- (a) Hindrance of information
(b) Hindrance of place
(c) Hindrance of person
(d) Hindrance of risk of loss



Ans: (d) The image depicts “insurance” aid to trade. Insurance removes the hindrance of risk of loss or damage to goods due to theft, fire, accidents, and other causes.

2. What are the types of trade indicated in the given image?



- (a) Domestic trade and external trade
- (b) Retail trade and wholesale trade
- (c) Import, export and entrepôt
- (d) Only an entrepôt

Ans: (c) External trade is also known as “international trade”. Types of external trade are import, export, and entrepot.

3. What is the transfer of interest in case of economic activity depicted in the case?

- (a) Transfer possible with some formalities
- (b) Transfer of interest is not possible
- (c) Transfer possible with certain professions
- (d) License required for transfer of interest



Ans: (b) In case of economic activity depicted in the case i.e. “profession” – pilot and in any profession, Transfer of interest is not possible.

4. What is the other name for objectives mentioned in the given image?



- (a) Personnel objectives
- (b) Human objectives
- (c) Economic objectives
- (d) Social objectives

Ans: (c) Business objectives are also known as “organizational” or “economic objectives”. Economic Objective means an objective which is concerned with earning profit and pursued to achieve the profit objective.

5. Which of the following can be inferred from the given image?

- (a) Profit is the Reward for Taking Risks
- (b) Business Risks Arise due to Uncertainties
- (c) The Degree of Risk is Mostly Determined by the Nature and Size of the Business
- (d) All of the above



Ans: (c) The Degree of Risk (low-medium-high) is Mostly Determined by the Nature and Size (small-mid-large) of the Business

Short Answer Type Questions

1. Define business risk. Discuss its classification.

Ans: The possibility of insufficient profits or even losses due to uncertainties or unforeseen events is referred to as business risk. Business risks are classified into two types:

1. **Pure Risk:** Pure risk is defined as business risks that are uncontrollable by humans and result in a loss or no loss with no possibility of financial gain. Fires, floods, and other natural disasters are examples of pure risk circumstances, as are unexpected incidents such as terrorist attacks or premature deaths.
2. **Speculative Risk:** Speculative risks include both the possibility of profit and the possibility of loss. Speculative risks develop as a result of changes in market conditions, such as fluctuations in demand and supply, price adjustments, or changes in client fashion and tastes. Gains are more likely in favourable market conditions, while losses are more likely in adverse ones.

2. Differentiate between the manufacturing industry and the tertiary industry?

Ans: Manufacturing Industry: These industries are involved in the production of goods by processing raw materials and thereby creating form utilities. Through the conversion of raw materials or partially finished materials in their manufacturing activities, they produce a wide range of finished products that we consume or use.

Tertiary Industry: The tertiary industry is a technical term for the economy's service sector, which includes a wide range of businesses such as financial institutions, schools, hotels, and restaurants. As an economy develops, its emphasis shifts from primary to secondary and tertiary industries. These are concerned with providing support services to primary and secondary sectors, as well as trade-related activities.

3. Discuss the role of profit in the business?

Ans: A business is established with the aim of making a profit. Profit is really crucial in business. The following facts highlight the importance of profit in business:

1. **Long-Term Survival:** Profit alone can help a business survive for a long time. The establishment of a certain firm loses its validity in the absence of profit.
2. **For Expansion and Growth:** Every business owner wants their company to develop and flourish. Additional funding is required for business development. Retained earnings are an excellent source of capital.
3. **To Increase Efficiency:** Profit is the power that pushes both the owner and the workforce to achieve their best. They are aware that if profits are high, they will be rewarded.
4. **Building Prestige and Recognition:** In order to earn prestige in society, businesses must satisfy all parties involved. It must provide acceptable quality products/services at affordable prices to customers, provide suitable compensation to staff, pay a sufficient dividend to shareholders, and so on, all of which are only achievable if the business is profitable.

4. Comment "business activities are not one-time events"?

Ans: A true business is not defined by an occasional or one-time transaction. For an activity to be considered a business, it must involve the continuous production, purchase, or sale of goods and services. An activity is deemed a business if it occurs on a regular basis. It indicates that the sale or purchase of goods and services for a single time transaction is not considered a business. Example:

- If a person sells their personal car once, it is not business — it's a one-time personal transaction.
- But if someone runs a car dealership, buying and selling cars regularly to earn profit, that is a business.

5. How does businesses play a significant role in achieving the personal objective of their employees? State any four ways.

- Ans:**
1. **Good Working Condition:** Good working condition means there is trust, cooperation, safety, risk-taking support, proper lightening, sanitation, ventilation, etc. Every business should take care of their working environment that is good for their employees.
 2. **Competitive Salary:** Competitive Salary means that salary is comparable to the salary of another person from a different company or business for the same job title. So, every business should pay a competitive salary to their employees so that they can live standard lives.
 3. **Personal Growth:** Personal Growth means the development of knowledge and skills that will directly improve a career potential of an employee. Every business should take some steps towards growth of their employees such as: - Conducting seminars, workshops, etc.
 4. **Peer Recognition:** Peer recognition means appreciation of employees between co-workers. Peer recognition helps in motivating employee's morale and it keeps them satisfied. Every employer should thank their co-worker for their tremendous work.

Long Answer Type Questions

1. Define trade and its types.

Ans: Trade refers to the exchange of goods and services between two or more parties to generate a profit. It is the core component of commerce, enabling the exchange of goods between producers and consumers.

Internal Trade: Internal trade refers to the buying and selling of goods and services within the geographical boundaries of a country. In this type of trade, both the buyer and the seller belong to the same country and use the same currency.

1. Internal trade is divided into two types:

- (i) **Wholesale Trade:** The buying and selling of huge quantities of goods. Wholesaler purchases goods in bulk from manufacturers and resells them to other dealers. He acts as a liaison between the production and the store. Example- A wholesaler buying 1,000 bags of rice from a mill and supplying them to multiple retailers.
- (ii) **Retail Trade:** The buying and selling of goods and services in relatively small quantities to end users. Example - A grocery store selling packaged rice to households.

2. External Trade: External trade refers to trade that occurs between two or more countries. It involves the exchange of goods and services across national boundaries. It is affected by exchange rates and trade agreements. External trade is divided into three categories:

- (i) **Import Trade:** Import trade occurs when goods and services are purchased from another country. Example - India importing crude oil from the Middle East.
- (ii) **Export Trade:** Export trade occurs when goods and services are sold to foreign countries. Example - India exporting textiles to the USA.
- (iii) **Entrepot:** A place where things are imported for export to other countries. Example - Dubai importing electronics from Japan and re-exporting them to African countries.

2. Define commerce and its functions.

Ans: Meaning: Commerce refers to all activities that include the movement of products and services from producers to consumers. It encompasses all efforts required to maintain the free flow of goods and services. Functions of Commerce:

- (i) Removing the hindrance of a person by making goods available to consumers from producers through trade.
- (ii) Transportation removes the hindrance of place by transporting items from the point of manufacture to marketplaces for sale.
- (iii) Storage and warehousing activities remove the hindrance of time by allowing for the storage of goods to be sold as needed.
- (iv) Insurance removes the hindrance of risk of loss or damage to goods due to theft, fire, accidents, and other causes.
- (v) Banking removes the hindrance of financing by providing funds to a businessman for the acquisition of assets, the purchase of raw materials, and the payment of other expenses.
- (vi) Advertising reduces hindrance of information by notifying consumers about the goods and services on the market.

3. (a) Comment “The amount of profit or income is never guaranteed”.

(b) Write a short note on “The Outcome of business decisions is never completely certain”.

Ans: (a) Uncertainty of return refers to the fact that in business, the amount of profit or income is never guaranteed. A businessman may earn a high profit, low profit, or even incur a loss, depending on various factors like market conditions, customer demand, and competition. As a result, no matter how much money is invested in a firm, it is impossible to predict how much profit the business will generate in a given time period. As a result, the possibility of loss exists in a business.

Unlike employment, where a person receives a fixed salary, business income varies and is unpredictable. Even after planning and investment, the actual result may differ from expectations. This makes business a risky venture but also one that can offer higher rewards.

Example:

A shopkeeper may expect to sell 500 shirts during the festival season, but if the demand drops due to unexpected weather or new competition, he might sell only 200—resulting in lower profit or even a loss.

(b) Risk refers to the possibility of loss due to uncertain events in the future. All business activities involve some level of risk, because the outcome of business decisions is never completely certain.

The element of risk is present due to factors such as changes in consumer preferences, government policies, inflation, strikes, natural disasters, or global events. Some risks can be predicted and managed (like fire insurance), but others are unpredictable.

Example:

A fruit seller faces the risk of his stock perishing if not sold quickly. Similarly, a manufacturer risks losing money if raw material prices suddenly increase.

4. How is transportation different from warehousing-aid to trade? Also, state any other three auxiliaries to trade overcoming hindrances?

Ans: Transportation and warehousing are two important aids to trade, but they serve different purposes in the movement of goods. Transportation refers to the physical movement of goods from one location to another—such as from the place of production to the place of consumption or market. It helps in creating place utility by making goods available where they are needed, whether within a city, across states, or even internationally.

On the other hand, warehousing involves the storage of goods until they are needed for use or sale. It helps in creating time utility by ensuring that goods are available when demanded, especially in cases of seasonal or bulk production. Warehousing is essential for managing inventory, maintaining the supply of goods, and protecting products from damage, theft, or spoilage.

Other auxiliaries/aids to trade are as follows:

1. **Banking and Finance:** Banking and finance are activities related to supplying finance for various commercial activities. Funds are required for the acquisition of machinery, raw materials, meeting expenses, and so on. Banking solves the financial problem. It aids in overcoming the hindrance of finance. The bank offers a variety of services, including overdraft, cash credit, and various sorts of loans and advances.
 2. **Insurance:** Insurance involves all activities involved with risk mitigation. There are numerous types of dangers in business. Insurance can help safeguard firms from such risks. By insuring against various risks, insurance removes the hindrance of risks. All of the dangers are covered by insurance. Businesses must pay a small amount known as a premium in order to recover the amount of loss or compensation.
 3. **Advertising:** It involves all activities associated with providing information about goods and services. It is one of the most important ways for promoting the sale of products and services, particularly for consumer goods. Manufacturers, producers, and traders cannot meet with each and every consumer to inform them about the goods.
5. Identify the causes of business risk in the following and also state the other two probable reasons of such cause:
- (a) A flood may damage a warehouse full of stock, resulting in heavy losses.
 - (b) A worker's careless handling of machines may cause breakdowns, delaying production.
 - (c) A sudden drop in demand due to a recession can cause unsold inventory and losses.
 - (d) A ban on plastic packaging by the government could affect businesses dealing in packaged goods.

Ans: (a) **Natural Causes**

These are uncontrollable events of nature such as:

- Floods
- Earthquakes
- Cyclones
- Epidemics (like COVID-19)

(b) **Human Causes**

These arise due to human actions or decisions, either intentional or unintentional, such as:

- Employee negligence or theft
- Labor strikes or disputes
- Mismanagement

(c) **Economic Causes**

These relate to changes in the economic environment over which the business has little control:

- Change in consumer preferences
- Inflation or deflation
- Changes in income levels

(d) **Political Causes**

These include risks arising from changes in government policies or political instability:

- Change in tax laws or trade policies
- Import-export restrictions
- Wars or terrorism

Case Study-based Questions

1. Arjana owns a shop where he sells sports equipment. He purchases goods from wholesalers and sells them to customers at a profit. He manages all operations himself.
- (a) Which type of economic activity is Arjun performing?
 - (b) How is the capital investment and risk present in the identified economic activity is (a) part?
 - (c) Which type of internal trade is discussed in the case? Define it.

Ans: (a) Arjana is engaged in buying and selling of goods with the aim of earning profit, which defines a business activity.

(b) Capital investment required in "business" depends on the size and nature of business.

Risk is present and is high as compared to other economic activities because of uncertainty of return.

(c) Retail Trade is indicated in the case. It is defined as the buying and selling of goods and services in relatively small quantities to end users.

2. Mrs. Sharma is a lawyer who works for a private law firm. She receives a monthly salary. On weekends, she also takes up independent legal cases for which she charges fees. She pays a competitive salary to her employees so that they can live a standard of living. She also gives her part of the profit charity to help needy people.





TEST YOUR KNOWLEDGE NOW!

For the correct
answers of this test,
scan this QR code



Self Assessment-1

Time: 60 Minutes

Maximum Marks: 30

Instructions:

Q1 to Q4 carry 1 mark

Q5 & Q6 carry 3 marks. Answer them in 40-60 words.

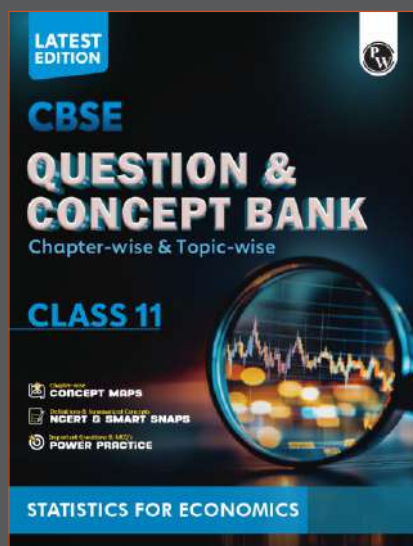
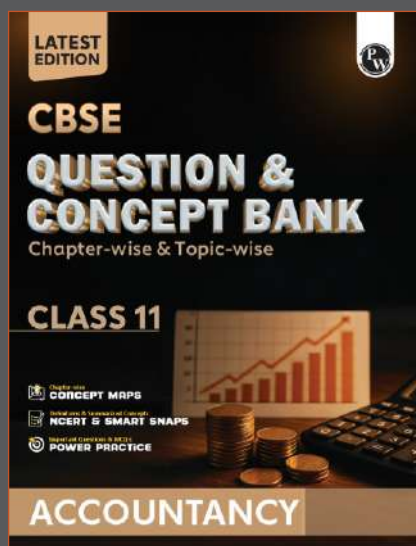
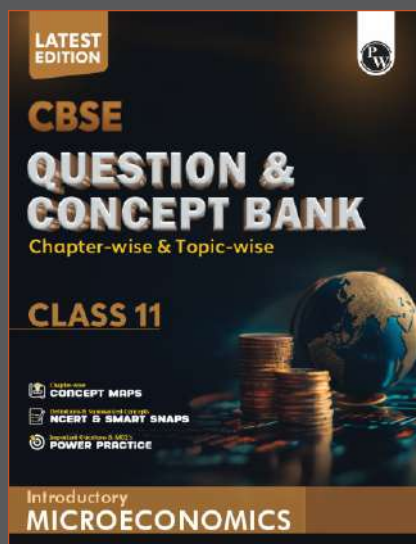
Q7 & Q8 carry 4 marks. Answer them in 80-120 words.

Q9 & Q10 carry 6 marks. Answer them in 150 200 words.

1. What are the other names for “internal and external trade”?
(a) Retail trade and wholesale trade
(b) Import and export
(c) Home trade and foreign trade
(d) None of the above
2. **Assertion (A):** Business has low or no risk.
Reason (R): The employee does not bear losses or expenses of the organization.
Choose the correct option:
(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.
3. “A customer places an online order for books from a website. The seller receives the order via email and ships the books using a courier”. Identify auxiliary to trade in this case.
(a) Warehousing
(b) Communication
(c) Advertising
(d) Banking
4. Which of the following statement is incorrect?
(a) Banking removes the hindrance of financing by providing funds to a businessman
(b) Advertising reduces the hindrance of information by notifying consumers about the goods and services on the market
(c) Extractive industries are involved in the production of goods by processing raw materials and thereby creating form utilities
(d) Transportation removes the hindrance of place by transporting items from the point of manufacture to marketplaces for sale.
5. Discuss the types of secondary industry?
6. Differentiate between profession, business and employment on the basis of
(a) Mode of establishment
(b) Reward
(c) Capital investment
(d) Qualification
7. Explain the following characteristics of business –
(a) Profit generation
(b) Uncertainty of return
8. “Eco Textile Pvt. Ltd.”, a garment manufacturing company, had stocked up a large order of raw cotton for the upcoming production season. Unfortunately, a short circuit in the warehouse due to staff mismanagement caused a fire, destroying a significant portion of the stored raw material. The company incurred heavy losses. This incident was unforeseen and did not offer any opportunity for gain—only the possibility of loss or no loss.
A) What kind of risk is shown in this case—pure or speculative?
B) What is the cause of business risk referred in the case?



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