



CHAPTER 01 – BUSINESS, TRADE AND COMMERCE

MULTIPLE CHOICE QUESTIONS

- Which among the following industry made their main product from various raw materials
a. Analytical b. **Synthetical** c. Processing d. Assembling
- Mr. Arun incurred so many losses due to the heavy flood. This loss caused due to
a. Human Cause b. Political cause c. Economic d. **Natural cause**
- Documents used for carrying out transactions in which money passed from hand to hand in ancient times.
a. Cheque b. **Hundi** c. Bill of Exchange d. Demand draft
- The main objective of business is
a. Innovation b. **Earning profit** c. Manager Performance d. Innovation
- In which economic activity capital is not required
a. Business b. **Employment** c. Profession d. Trade
- In which economic activity rendering of personalized expert service is required
a. Business b. Employment c. **Profession** d. Trade
- In which economic activity transfer of interest is not possible
a. Trade b. Business c. **Employment** d. Industry
- The industries which provide support services to other industries are known as
a. Primary industries b. Secondary industries c. Commercial industries d. **Tertiary industries**
- Which of the following broad categories of industries covers oil refinery and sugar mills
a. Primary industries b. **Secondary industries** c. Commercial industries d. Tertiary industries
- An industry which is concerned with breeding, reproduction and multiplication of species
a. Analytical Industry b. **Genetic Industry** c. Process Industry d. Tertiary Industry
- An industry which is concerned with the nature of various material to form single product
a. Analytical Industry b. Assembling Industry c. **Synthetical industry** d. Primary Industry
- Commerce is a combination of two types of activities which include
a. Industry and trade b. Trade and Commerce c. **Trade and auxiliaries to trade** d. Production and consumption of goods
- This trade refers to purchase of goods from one country for the purpose of selling them to another country. Identify it.
a. Import Trade b. **Entrepot trade** c. Wholesale trade d. Export trade
- There is a time gap between production and consumption of goods therefore warehousing is required which overcomes the problem of
a. Funds b. **Storage** c. Time d. Place
- No business can survive without enough amount of funds. Banks are providing financial assistance to the businesses to overcome one of the following hindrances of trade.
a. Hindrance of place b. Hindrance of time c. **Hindrance of finance** d. Hindrance of information
- Business Risk generated out of carelessness or negligence of employees would emerge due to which of the following cause:
a. Natural cause b. **Human Cause** c. Economic cause d. Other cause.

17. Changes in market conditions, changes in price or changes in fashion and tastes of customers refers to which type of risk
- a. Pure risk b High Risk c. Low Risk d. **Speculative Risk.**

SHORT ANSWER QUESTIONS

18. Briefly explain any two characteristics of business.

ANSWER:

A. Economic activity: All business activities are considered as an economic activity because its main aim is to earn money in the form of profit.

B. Dealing goods or services: Business involves transfer or exchange of goods or services for value. Goods may be of consumer goods (for direct use. E.g. clothes, food item ...) or capital goods (like machinery, tools...).

C. Regularity in dealing: An isolated transaction cannot make a business unit. When transactions are repeatedly performed, it is considered as business.

D. Profit earning: The first and foremost purpose of business is to earn profit. Profit is the return on capital employed.

E. Sale, transfer or exchange: Business must involve sale, transfer or exchange of goods and services directly or indirectly.

F. Uncertainty and business risk: No one can predict the future of a business with certain. In every business there is a chance of loss or deduction of profit. It is called business risk. **(Any two points with brief explanation)**

19. From the following, identify the type of trade:

- a. Star Electricals, Tvm. Sold some electric items to Srilanka
b. 3-in -One Automobiles, Ernakulum purchased some spare parts from China in order to sell at Nepal.
c. Kiran furniture's sold some furniture item locally.
d. Light lubricants Ld. Purchased some lubricant items from Iran.

ANSWER:

a. Export – Selling Goods from home country to a foreign country

b. Entrepot – Importing goods from a foreign country with the objective of exporting to another country

c. Retail – Purchasing goods from a wholesale trader in smaller quantities for selling it to customers

d. Import – Purchasing goods from a foreign country to home country

20. Briefly explain any three factors to be considered before starting a new business.

ANSWER:

A. Selection of line of business: It means nature and type of business to be undertaken.

B. Size of the business: Size or scale of operation is another important decision to be taken at the start of the business.

C. Choice of form of ownership: The business organization may take the form of a sole proprietorship, partnership or a joint stock company. Each form has its own merits and demerits.

D. Location of business: Availability of raw material, labour, power, water and other various services are important factors while making a choice of location.

E. Finance: Proper financial planning must be done before selecting form of business.

F. Physical facilities: Availability of physical facilities like buildings, machines, supportive services are very important factor to be considered.

G. Plant layout: It means the physical arrangement of machines and equipment needed to manufacture a roduct.

H. Work force: Plans should be made about the number of employees, their competence and how they will be trained and motivated.

I. Tax planning: The founder of the business has to consider in advance the tax liability under various tax laws and its impact on business.

J. Launching the enterprise: After considering the above factors, the business man can go ahead with the actual launching of the enterprise. **(Any three points with brief explanation)**

21. Mr. Venu, a Chartered Accountant, is now working as finance manager in a company. Mention the category of economic activity Mr. Venu belongs to. State any two features of that category

ANSWER:

Employment.

Features: a. There must exist employer-employee relationship. b. There must be a service contract between employer and employee. c. Employees get salary or wages for their services. d. Regularity in service. (Any two points)

LONG ANSWER QUESTIONS

22. . Identify any four services to assist the trade. Explain in brief

ANSWER

1. Banking Service: Business activities cannot be undertaken unless funds are available for its various needs. Banking services provide finance facility to business and thus it removes the hindrances of finance.

2. Transport and Communication: Production of goods generally takes place in particular locations. But these goods are required for consumption in different parts of the country. Various modes of transport and communication facilities help in the movement of goods and remove the hindrance of place in the exchange of goods.

3. Insurance: Business involves various types of risks. Insurance provides protection in all these situations. Thus the hindrance of risk is removed through insurance.

4. Advertising: It is practically impossible for producers and traders to contact each other and every customer. For sales promotion, information about the product must reach potential buyers. Advertising helps in this situation. The hindrance of knowledge or information is removed through advertising.

5. Warehousing: Usually goods are not sold or consumed immediately after production. They are held in stock to be available as and when required. The function of storage is called warehousing and it removes the hindrance of time in the exchange process **(any four points with brief explanation)**

23. Explain any five multiple objectives of business.

ANSWER

1. Earning Profit: Business activities are primarily undertaken to earn profit. Profit is an indicator of the performance of the business during its operation period.

2. Market standing: It refers to capturing the market share. The business can survive only if there is demand for its goods and services. So it must aim at satisfaction and winning of customers.

3. Innovation: To innovate means to introduce something new into the market. It includes new products, new method of production, new method of distribution etc. Eg. Introduction of lap top, changes in mobile phone, conversion of traditional photography to digital, direct marketing etc.

4. Productivity: It is ascertained by comparing the value of output with the value of inputs. Every business must aim at greater productivity through the best use of available resources.

5. Efficient utilization of physical and financial resources: Any business requires physical resources like plants, machines, materials... and financial resources. The business enterprise must aim at acquiring these resources according to their requirements and use them efficiently.

6. Manager performance and development: Business need managers to conduct and coordinate business activity, therefore improve managers performance and development is an important objective of every business.

7. Improve workers performance and attitude: Every enterprise must aim at improving its workers performance. It should also try to ensure a positive attitude on the part of workers. (Any five points with brief explanation)

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