



Class 11	Entrepreneurship	Unit 5E: Know thy Business
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Question 1. Answer each of these questions in about 15 words:

- (i) Define the term 'Business'.**
- (ii) What is the epicentre of human life?**
- (iii) Enlist any four characteristics of Business.**
- (iv) What is the final outcome of an industrial activity?**
- (v) Name the various types of trade.**
- (vi) What is Commerce?**

Answer: (i) As per Peterson and Plowman "Business may be defined as an activity in which different persons exchange something of value, whether goods or services, for mutual gain or profit."

Or

Business is, "The state of being busy in making, distributing or providing of any goods or services which other members of the community need."

- (ii) Activity is the epicenter of human life.
- (iii) Following are the characteristics of business:
 - (a) Economic activity
 - (b) Production
 - (c) Satisfaction of human want
 - (d) Regularity: In business, activity is performed on regular basis.
 - (e) Profit
 - (f) Risk.
- (iv) Finished product in the form of a good or service is the final outcome of the industrial activity.
- (v) (a) Home or internal trade (b) Foreign or external trade.
- (vi) "Commerce is the sum total of all those activities, which are engaged in the removal of hindrance of persons (trade) place (transport and insurance) and time (ware housing) in the exchange (Banking) of commodities,". James Stephenson.

Question 2. Answer each of these questions in about 50 words:

(i) State the range of activities performed under Business.

(ii) Explain any two business activities which are auxiliaries to trade.

(iii) Define construction industry.

(iv) Define tertiary industry.

Answer: (i) Business involve production, processing, sale or exchange of goods and services at regular basis and a aim of earning profit.

(ii) Transportation, Banking, Insurance, Warehousing, Advertisement and salesmanship.

(iii) Construction industry deals in creation of infrastructure for the smooth development of the economy and is concerned with the construction of buildings, dams, roads, bridges, canals, etc.

(iv) Tertiary or Service industry comprises activities concerned with the rendering of services which help other businesses.

Question 3. Answer each of these questions in about 75 words:

(i) Define trade and its types.

(ii) What is 'Business'? State its characteristics?

(iii) Explain Transportation. State the modes of- transportation and communication.

Answer: (i) Trade is referred as the nucleus of commerce around which other aids/auxiliaries revolve. Foreign trade or International trade or External is the buying and selling of goods between two or more nations.

Internal or home trade is the buying and selling of goods within the boundaries of a country, i.e. inside a nation.

(ii) "Business may be defined as an activity in which different persons exchange something of value, whether goods or services, for mutual gain or profit—Peterson and Plowman. Following are the characteristics of business:

(a) Economic activity: It is an economic activity, which done to earn money.

(b) Production: It deals in either production, purchase, procurement of goods or renders service or both.

(c) Satisfaction of human want: All the activities performed are for satisfying human wants.

(d) Regularity: In business, activity is performed on regular basis.

(e) Profit: Profit earning is the primary aim of an business.

(f) Risk: Business involve risk of incurring losses or earning inadequate profits.

(iii) Transportation helps in removing the hindrance of place in exchange of goods and services. It forms a link from their place of production to the place of their consumption. It is the physical movement of goods or passengers from one place to another. Various modes of transportation are Railways, Roadways,

Airways, Waterways and Pipelines. Various modes of communication like telephone, telegram, e-mails, online, fax, etc. are used for transportation.

Question 4. Answer each of these questions in about 250 words:

(i) State briefly the various types of primary industries.

(ii) Rahul, an owner of a huge Departmental Store, charges exorbitantly due to no competition around, and he misses out on no opportunity to earn profit. He finds nothing wrong as the main goal of business is to earn 'Profit'. Discuss any four values which you find are lacking in him as a rational businessman.

(iii) Define commerce and discuss its functions.

(iv) Differentiate between Industry, Commerce and Trade, explaining the main characteristics of each.

(v) What do you understand by the term Industry? Explain the various types of industries?

(vi) Mohan Pvt. Ltd. just commenced with the business of Blue Pottery. Explain the auxiliaries required for the smooth functioning of their newly set enterprise.

Answer: (i) Primary industry includes those activities which are concerned with natural resources and include extraction, producing and processing or extraction of natural resources. The primary industry are of following types:

(a) Extractive industry: This industry deals with raising some form of wealth from the soil, climate, air, water or from beneath the surface of the earth. For example, agriculture, fishing, etc. Extractive industries :

1. are the oldest occupation of human beings and provide raw material to others.
2. only collect and cannot add to the wealth extracted from the earth or sea.
3. shift the location of materials.
4. cannot replace the materials once extracted.

(b) Genetic: Genetic industry is related to the re-producing and multiplying of certain species of animal and plants with the object of earning profits from their sale.

It deals with rearing and breeding of animals and birds and growing plants, e.g. nurseries, cattle breeding, fish hatcheries, poultry farms, etc.

(ii) The values which are missing are:

(a) Interest towards customer satisfaction is missing in the departmental store.

(b) Consumer awareness part is not given due importance which has long term impact on the business.

(c) Honesty on the part of entrepreneur is missing as the main aim made by the entrepreneur is profit earning.

(d) Quality of services is lacking in the departmental store.

(iii) "It is the sum total of all those activities, which are engaged in the removal of hindrance of persons (trade), place (transport and insurance) and time (warehousing) in the exchange (Banking) of commodities,". James Stephenson
Functions of commerce are:

(a) to deal with activities which facilitate exchange of goods/services.

(b) to deal with transfer of goods from one place of production to ultimate consumers.

(c) to help to break the barriers between producers and consumers.

(d) to create time, place and possession utilities.

Commerce:

(a) Commerce deals with activities which facilitate exchange of goods/services.

(b) It deals with transfer of goods from one place of production to ultimate consumers.

(c) It helps to break the barriers between producers and consumers.

(d) Time, place and possession utilities are created.

(iv) Industry refers to all economic activities involved in converting raw materials into finished products which are ultimately consumed by consumers.

It includes:

(a) Manufacturing of goods, i.e. connected with conversion of resources into useful goods.

(b) Growing, producing, processing, assembling, extracting, constructing, fabricating, breeding, etc. of products.

(c) Imparting utility to goods using mechanical appliances and technical skills.

(d) A group of firms producing similar or related goods, e.g. textile industry, film industry, etc.

Trade:

(a) It is the nucleus of commerce.

(b) It facilitates the smooth and timely transmission of goods.

(c) It removes the hindrance of persons.

(d) It makes the goods available to the consumers.

(e) It facilitates the smooth and timely transmission of goods from the producers to the consumers.

(v) Industry refers to all economic activities involved in converting raw materials into finished products which are ultimately consumed by consumers.

"Goods" which are the final outcome of any industrial activity are of the following two types:

1. Producer's Goods: The goods produced by one enterprise and used by other enterprises as raw material for further production, for example plant and machinery, equipment, tools, etc.

2. Consumer Goods: The goods used by final consumers for deriving personal satisfaction, for example jams, clocks, edible oil, etc.

(vi) Auxiliaries required for blue pottery are:

(a) Transportation: For bringing the raw material and also for sending the finished products to the market.

(b) Banking: It is required for taking loan as and when required and also for keeping the finance and taking use of various services offered by banks.

(c) Insurance: This is essential for safeguarding the enterprise against the risk involved due to unforeseen circumstances.

(d) Warehousing: It is required for storing the finished product and also for storing the raw material.

(e) Advertisement and salesmanship: It is required for providing information about product and also for informing market about the product.

(vii) Secondary industries are the industries which are concerned with the changing forms or transformation of the materials provided by primary industries.

Examples manufacturing gold jewellery, refining crude oil into kerosene, cement, paint, soap, etc.

Various types of secondary industry are : A. Manufacturing, B. Construction C. Tertiary or Service.

Main features of manufacturing industry are:

(a) engaged in the conversion of raw materials into semi-finished or finished goods

(b) creates firm utility in goods

(c) most of the goods which are used by consumers are produced by manufacturing industries.

Processing the industry in which the finished product of one process becomes the raw material of the receiving process and soon the final process produces the finished goods, e.g. cotton passes through ginning, weaving, dyeing to make cloth as a final product. Manufacturing: The industries which are engaged in the conversion of raw materials into semi-finished or finished goods are referred as manufacturing industry. Manufacturing industry may be classified as:

(a) Analytical: It deals with analysing and separating basic materials for getting distinct final products. For example—separating crude oil into kerosene, petrol, diesel, gasoline, lubricating oil, etc.

(b) Synthetic: It deals with grouping together or synthesizing various raw materials in manufacturing process to produce a final product, for example cement, paint, soap, etc.

(c) Processing: In this industry, a product passes through various processes to

become a final product, for example sugar and paper industries.

(d) Integration or Assembling: In this industry, the final product is the outcome of , assembling various parts or components together, for example bicycle, automobile, television, etc.

Construction industry:

(a) It deals in creation of infrastructure.

(b) Engineering and architectural skills are involved.

Construction industry deals in creation of infrastructure for the smooth development of the economy. It is concerned with the construction of buildings, dams, roads, bridges, canals, etc. Engineering and architectural skills play a leading role in this industry.

MORE QUESTIONS SOLVED

I. Very Short Answer Type Questions [1 Marks]

Question 1. What is symbol of life?

Answer: Activity is the symbol of life.

Question 2. “Human life is centred on activities which help in satisfying their diverse needs”. Why?

Answer: Human life is centred on activities which help in satisfying their diverse needs because the activities are performed with some objectives, i.e. either to satisfy unlimited human wants or to earn for livelihood.

Question 3. List few categories of unlimited human requirements.

Answer: Unlimited human requirements are physical, emotional, religious, social, psychological.

Question 4. Describe the economic system of ancient societies.

Answer: Ancient societies were simple, satisfied and self-sufficient. Each family managed to satisfy their basic needs by self. Due to self-sufficiency, business did not exist during that period.

Question 5. When did business evolved?

Answer: Business emerged when self-sufficiency disappeared. This is because business evolved as a medium for exchange of goods or services for mutual benefit in absence of self-sufficiency.

Question 6. Explain the term ‘business’.

Answer: Business is derived from the term ‘Busy-ness’, meaning people are

engaged in certain activities. Thus business is, “the state of being busy in making, distributing or providing of any goods or services which other members of the community need.”

Question 7. Define business.

Answer: “Business may be defined as an activity in which different persons exchange something of value, whether goods or services, for mutual gain or profit.” —Peterson and Plowman.

Or

Business is “the state of being busy in making, distributing or providing of any goods or services which other members of the community need.”

Question 8. Business is an institution. How?

Answer: “Business is an institution organized and operated to provide goods and services to the society under the incentive of private gain.”

Question 9. What does Business involve?

Answer: Business involves production, processing, sale or exchange of goods and services at regular basis and aim at earning profit.

Question 10. What are the two categories of the range of activities performed under business?

Answer: The range of activities performed under business can be classified under two categories:

(i) Industry (ii) Commerce

Question 11. Give example of A group of firms producing similar or related goods.

Answer: Textile industry, film industry, etc.

Question 12. Define industry.

Answer: Industry refers to all economic activities involved in converting raw materials into finished products which are ultimately consumed by consumers.

Question 13. According to nature of activities performed, the industries are classified into which categories?

Answer: Primary industry and Secondary industry.

Question 14. What does primary industry include?

Answer: Primary industry includes those activities which are concerned with extraction, producing and processing or extraction of natural resources.

Question 15. What do you mean by Genetic industry?

Answer: Genetic industry is the industry related to the re-producing and multiplying of certain species of animal and plants with the object of earning profits from their sale.

Question 16. Give the example of Genetic industry.

Answer: Nurseries, cattle breeding fish hatcheries, poultry farms, etc.

Question 17. What do you mean by Extractive industry? Give examples.

Answer: Extractive industry is the one which is engaged in raising some form of wealth from the soil, climate, air, water or from beneath the surface of the earth. For example, agriculture, fishing, hunting, mining, etc.

Question 18. What are secondary industries?

Answer: Secondary industries are the industries which are concerned with the changing forms or transformation of the materials provided by primary industries.

Question 19. Give the examples of secondary industries.

Answer: Manufacturing gold jewellery, refining crude oil into kerosene, cement, paint, soap, etc.

Question 20. What are the various types of secondary industry?

Answer: Various types of secondary industry are : A. Manufacturing, B. Construction, C. Tertiary or Service.

Question 21. Write two features of construction industry.

Answer:

1. It deals in creation of infrastructure.
2. Engineering and architectural skills are involved.

Question 22. Define trade.

Answer: Trade is referred as the nucleus of commerce around which other aids/auxiliaries revolve.

Question 23. Give the two classes of commerce.

Answer: Commerce can be classified into two classes: A. Trade B. Auxiliaries.

Question 24. What do you mean by internal trade? Name its types.

Answer: Internal or home trade is the buying and selling of goods within the boundaries of a country, i.e. inside a nation.

Home trade is classified as: (a) Wholesale (b) Retail.

Question 25. Define 'Entre pot Trade'.

Answer: It is the purchasing or importing goods from one country to be sold or exported to some other country.

II. Short Answer Type Questions [2/3 Marks]

Question 1. Describe the characteristics of business.

Answer: Following are the characteristics of business :

- **Economic activity:** It is an economic activity, which is the done with the motive to earn money.
- **Production:** It deals in either production, purchase, procurement of goods or renders service or both.
- **Satisfaction of human want:** All the activities performed are for satisfying human wants.
- **Regularity:** In business, activity is performed on regular basis.
- **Profit:** Profit earning is the primary aim of an business.
- **Risk:** Business involve risk of incurring losses or earning inadequate profits.

Question 2. What does business include?

Answer: Business' includes the activities related to the production and distribution of goods and services including all those activities which indirectly help in production exchange of goods such as Transport, Insurance, Banking, Warehousing, Advertising, etc.

Question 3. What are the various categories of business activities?

Answer: Business activities can be divided into following five categories:

- Production of goods
- Rendering of services
- Distribution of goods

- Rendering distribution assistance
- Rendering financial assistance.

Question 4. Explain the term 'Industry'.

Answer: Industry refers to all economic activities involved in converting raw materials into finished products which are ultimately consumed by consumers. It includes:

- Manufacturing of goods, i.e. connected with conversion of resources into useful goods.
- Growing, producing, processing, assembling, extracting, constructing, fabricating, breeding, etc. of products.
- Imparting utility to goods using mechanical appliances and technical skills.
- A group of firms producing similar or related goods, e.g. textile industry, film industry, etc.

Question 5. What are the two types of goods which are the final outcome of any industrial activity?

Answer: "Goods" which are the final outcome of any industrial activity are of following two types:

1. Producer's Goods: The goods produced by one enterprise and used by other enterprises as raw material for further production, for example plant and machinery, equipment, tools, etc.
2. Consumer Goods: The goods used by final consumers for deriving personal satisfaction, for example; jams, clocks, edible oil, etc.

Question 6. Give the features of manufacturing.

Answer: Following are the main features of manufacturing:

- (i) Engaged in the conversion of raw materials into semi-finished or finished goods.
- (ii) Creates firm utility in goods produces by either genetic or extractive industries.
- (iii) Most of the goods which are used by consumers are produced by manufacturing industries.

Question 7. What is processing?

Answer: The industry in which the finished product of one process becomes the raw material of the receiving process and soon the final process produces

the finished goods, for example cotton passes through ginning, weaving, dyeing to make cloth as a final product.

Question 8. Explain in brief construction industry.

Answer: Construction industry deals in creation of infrastructure for the smooth development of the economy. It is concerned with the construction of buildings, dams, roads, bridges, canals, etc. Engineering and architectural skills play a leading role in this industry.

Question 9. What do you mean by tertiary industry?

Answer: Service industry comprises of activities concerned with the rendering of services which help other businesses. These serve as the back bone of modern industrial system.

They help in removing various hindrances which arise during the production and distribution of goods and services and deals with:

- Transport facilitates
- Banking
- Insurance
- Warehousing
- Advertising.

Question 10. Give the features of Commerce.

Answer:

1. It deals with activities which facilitate exchange of goods/services.
2. It deals with transfer of goods from one place of production to ultimate consumers.
3. It help to break the barriers between producers and consumers.
4. Time place and possession utilities are created.

III. Very Short Answer Type Questions [4 Marks]

Question 1. Give the features of trade.

Answer:

1. It is the nucleus of commerce.
2. It facilitates the smooth and timely transmission of goods.
3. It removes the hindrance of persons.
4. It makes the goods available to the consumers.

5. It facilitates the smooth and timely transmission of goods from the producers to the consumers.

Question 2. Give the features of internal trade.

Answer: The main features of internal trade are:

1. Buyer and sellers belong to the same country.
2. Mode of payment is in the same legal tender of the country
3. It is done locally, regionally or inter-state wise.
4. It follows the same land laws.
5. It is the buying and selling of goods within the boundaries of a country.

Question 3. Define (1) Wholesale, (2) Retail, (3) Foreign trade, (4) Transportation.

Answer:

1. **Wholesale:** Wholesale is the bulk buying from producers to be resold to retailers in small quantities.
2. **Retail:** Retail is selling directly to the ultimate consumers for personal or non-business use in said (single/small) quantities.
3. **Foreign trade:** Foreign trade or International trade or External trade is the buying and selling of goods between two or more nations.
4. **Transportation:** Transportation is the physical movement of goods or passengers from one place to another.

Question 4. Give the features of Foreign Trade or International Trade or External Trade.

Answer:

1. It involves the exchange of currencies between the nations.
2. Land laws, rules, regulations, customs of two countries prevail.
3. Distances involved are far.
4. It is more time consuming.

Question 5. Describe various types of foreign trade transactions.

Answer: Foreign trade transactions are of the following three types:

1. Import Trade—The purchase of goods from a foreign country
2. Export Trade—The sale of goods to a foreign country.

3. Entre pot Trade—Purchasing or importing goods from one country to be sold or exported to some other country is called as 'entre pot' trade.

Question 6. Explain Auxiliaries or 'Aids to Trade'.

Answer: While dealing with the activities of enterprise, an entrepreneur faces many problems regarding finance, knowledge, time, person, and place, requiring immediate solution. The flow of goods/services from producers to consumers is obstructed by many environmental factors. All these difficulties are overcome with the help of various agencies or support systems known as 'Aids to Trade'. It includes Transportation, Banking, Insurance, Warehousing, Advertisement and Salesmanship.

Question 7. Business needs continuous supply of finance to meet out multiple and recurring demand. What are those areas of needs?

Answer: Business needs continuous supply of finance to meet out multiple and recurring demand of: Commencement, Day to Day operation, Expansion, Modernization, Diversification, Research and Development and Innovation.

Question 8. Besides finance, which other services are provided by banks?

Answer: Banks not only fulfil the fund requirement of entrepreneur, but also provide services like Guidance and counseling, Guarantor in foreign trade, Underwriters for new enterprises and Custodian of documents, etc. in foreign trade.

Question 9. How is insurance useful in business?

Answer: Business is full of risks and uncertainties. Risk in transporting goods, due to theft, fire, damage, due to death of key employee, etc. Insurance removes the hindrance of risk by providing cover against it. The insurance coverage has given impetus to the national and international trade.

Question 10. What is enhanced by advertisement and salesmanship.

Answer: Advertisement and salesmanship enhances:

- The knowledge of the customer about the products.
- Helps customer in making a decision about the purchase. In this way, advertisement eliminates the hindrance of information.

Question 11. Commerce makes our economy sail. Why?

Answer: Commerce is the sum total of these processes of transport,

communication, warehousing, advertisement, and banking and insurance that to ensures free flow of goods and services in our economy. It works towards the timely availability of goods and services for the consumers and other final users of the producers. Thus, commerce makes our economy sail.

IV. Long Answer Type Questions [6 Marks]

Question 1. What is manufacturing? Explain its various classes.

Answer: Manufacturing: The industries which are engaged in the conversion of raw materials into semi-finished or finished goods are referred as manufacturing industry. Manufacturing industry may be classified as:

- **Analytical:** It deals with analysing and separating basic materials for getting distinct final products, for example-separating crude oil into kerosene, petrol, diesel, gasoline, lubricating oil, etc.
- **Synthetic:** It deals with grouping together or synthesizing various raw materials in manufacturing process to produce a final product, for example cement, paint, soap, etc.
- **Processing:** In this industry, a product passes through various processes to become a final product, for example sugar and paper industries.
- **Integration or Assembling:** In this industry, the final product is the outcome of assembling various parts or components together, for example, bicycle, automobile, television, etc.

Question 2. Distinguish between Wholesale and Retail.

Answer:

Backward Integration	Forward Integration
It is a step back on the value-added chain towards the raw materials, by which the producer also becomes a raw materials wholesaler.	It refers to taking a step forward on the value added chain towards the customers by which the firm also becomes a finished goods wholesaler.
Firm becomes its own supplier.	Firm becomes its own buyer.

Question 3. Write the features of transportation with reference to entrepreneur.

Answer: Following are the features of transportation:

- It helps in removing the hindrance of place in exchange of goods and services.

- It forms a link from their place of production to the place of their consumption.
 - It is the physical movement of goods or passengers from one place to another.
 - Various modes of transportation are Railways, Roadways, Airways, Waterways and Pipelines.
 - Various modes of communication like telephone, telegram, e-mails, online, fax, etc. are used for transportation.
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