



H T COMMERCE CLASS

"COMMERCE KE TOPPERS"

"XI, XII & B.com"

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Business Studies

Class : XI



CHAPTER 1

Nature and Concept of Business

Concept of Business

The term business is derived from the word 'busy'.

Therefore, business means being busy.

Business refers to an occupation in which people regularly engage in activities related to purchase, production and / or sale of goods and services with a view to earn profits



Business is defined as the “**repeated buying and selling or manufacturing of goods and services with an intention to earn profit which involves the creation of wealth.**”

Example; A factory, A retail shop, Commission agents, brokers etc.

BUSINESS ACTIVITY

People undertake various activities to satisfy their needs These activities can be classified into two, they are

Economic Activities and **Non-Economic Activities**

Economic Activities- Activities undertaken to earn money or money's worth and related to production and exchange of wealth Eg; Running a factory, Retail shop, Cultivating land etc.



Non-Economic Activities-Activities which are undertaken not for any reward but for the personal satisfaction

Example: A mother looks after her children, A house-wife cooks food for the family, Visiting Temples etc.



Differences Between Economic Activities & Non-Economic Activities

ECONOMIC

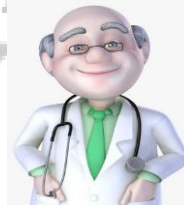
NON ECONOMIC

Definition	Those human activities which are performed to earn livelihood are called economic activities.	Those human activities which are performed out of love, sympathy, sentiment, patriotism etc. are called non-economic activities.
AIM	To earn money or money's worth	For personal Satisfaction
MEASURED	It can be measured In terms of money	It cannot be Measured in Monetary terms
REWARD	Money is the reward	Mental satisfaction Is the reward

Types Of Economic Activities



BUSINESS



PROFESSION



EMPLOYMENT

Characteristics of Business

1. An Economic Activity	It is undertaken with an object of earning money or livelihood but not for love, affection etc. Eg: Purchase and sale of articles by a shop keeper
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2. Production or Procurement of Goods and Services	Every business should either produce or acquire the goods in which it deals Goods may consists of capital goods and consumer goods Eg: Capital Goods: Machinery, Furniture, Consumer Goods: Sugar, Pen, Notebook etc.
3. Sale or Exchange of Goods & Services	There should be sale or exchange of goods or services between the seller and buyer Goods produced for personal consumption is not a business
4. Regular Basis	A single transaction cannot be treated as a business Eg: A persons sells his old scooter even at a profit cannot betreated as a business as there is no continuity.
5. Earning Profit	The business activity must be intended to earn profit Businessman should take all possible efforts to maximizethe profit by increasing sales volume or reducing cost
6. Uncertainty of Return	No business can predict its future profit
7. Element of Risk	Every business is subject to risk due to various reasons Eg: Change in fashion, fire, theft, natural calamities etc.

COMPARISION

	BASIS	BUSINESS	PROFESSION	EMPLOYMENT
1	MODE OF ESTABLISHMENT	Entrepreneur's decision and other legal formalities, if necessary	Membership of a Professional body and certificate of practice	Appointment letter and service agreement
2	NATURE OF WORK	Provision of goods and services to the public	Rendering personalized expert services	Performing work as per service contract or rules
3	QUALIFICATION	No minimum qualification is necessary	Expertise and training in a specific field is a must	Qualification and training as prescribed by the employer
4	REWARD/RETURN	PROFIT EARNED	PROFESSIONAL FEE	SALARY OR WAGES
5	CAPITAL INVESTMENT	Required as per size and nature of business	Limited capital needed for establishment	No capital required
6	RISK	Profits are uncertain; risk is present	Fee is generally regular and certain; some risk	Fixed and regular pay: no risk
7	TRANSFER OF INTEREST	Transfer possible with some formalities	Not possible	Not possible
8	CODE OF CONDUCT	No Code of conduct is prescribed	Professional code of conduct is to be followed	Norms of behaviour laid down by the employer are followed

9	MAIN OBJECTIVE/MOTIVE	Profit Making	To Provide service	To earn income by satisfying the employer
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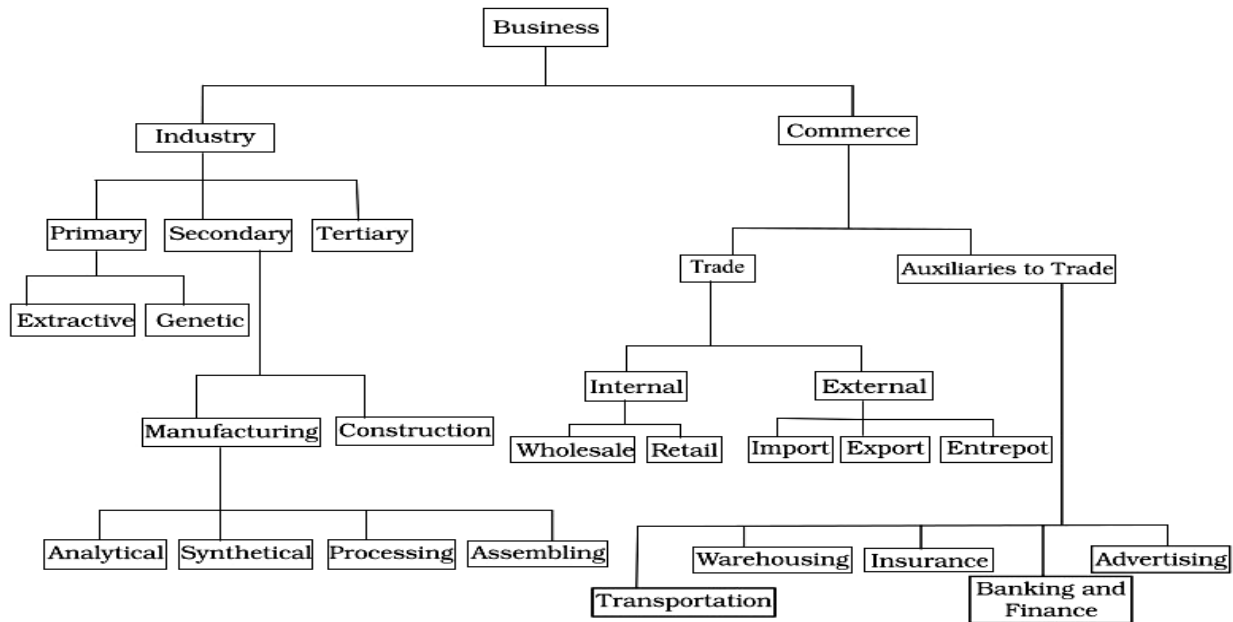


CHART SHOWING BUSINESS ACTIVITIES

Classification of Business Activities

Industry :

Industry refers to that part of business which is concerned with the production of goods and material. An industry may be classified into primary industry, secondary industry and tertiary industry.

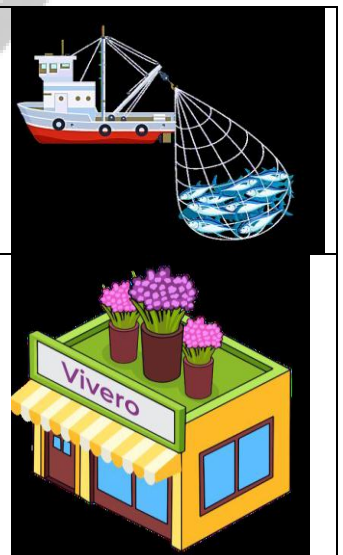
Types of Industries

1) Primary Industry

Engaged in extracting, producing and processing of natural resources. Eg: Extractive industries and genetic industries.

Classification of Primary Industries

a) Extractive Industries	They are engaged in the extraction (collection) of useful materials from the earth and sea. Eg: Mining, fishing, quarrying etc. The products of these industries are either directly consumed or used as raw materials by other industries.
b) Genetic Industries:	Engaged in the reproduction or multiplication of plants and animals. Genetic Industries. E.g. Plant nurseries, Poultry farms, cattle breeding farms etc.



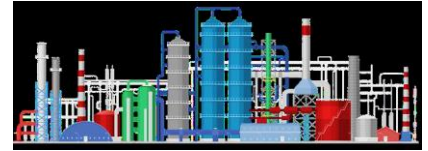
2) Secondary Industries

They are concerned with the materials which have already been produced at the primary stage Eg: Manufacturing industries and Construction industries

Classification of Secondary Industries

1) Manufacturing Industries

2) Construction Industries



1) Manufacturing Industries:

Engaged with the conversion of raw materials into finished goods
Manufacturing Industries E.g: Cotton into textiles, timber into furniture etc They change the form of goods i.e. raw material into finished goods and thus create form utility They produce Consumer Goods, Industrial Goods and Capital Goods

Types of Manufacturing Industries

Analytical Industries :	Analyses and separates different elements from the same materials is called Analytical Industries Eg: Oil refinery , milk.
Synthetical Industries	Combines various ingredients into a new product b Synthetical Industries Eg: Cement is produced from Lime, Silica, Magnesia etc
Processing Industries	It involves successive stages for manufacturing finished products c Processing Industries Eg: Sugar, Paper etc
Assembling Industries	Assembles different component parts to make a new product d Assembling Industries Eg: Car, T V, Computer, Mobile Phone etc

2) Construction Industries

Engaged in the construction of buildings, dams, roads, bridges etc. Construction Industries They use the products of manufacturing industries and extractive industries

Tertiary Industries

They are providing support services to primary and secondary industries and it form part of commerce Eg: All service activities which are auxiliaries to trade like transport, banking, insurance etc.



Commerce

It is concerned with buying, selling and distribution of commodities and it is an organized system for exchange of goods and services in between the businessman and the customers It is also concerned with the marketing aspects of business, i.e. supply of right type of goods to the right persons, at the right time and at the right price ∴ Commerce includes trade and aids to trade



Functions of Commerce

The sum total of all those activities which are involved in the removal of hindrances in the process of exchange of goods

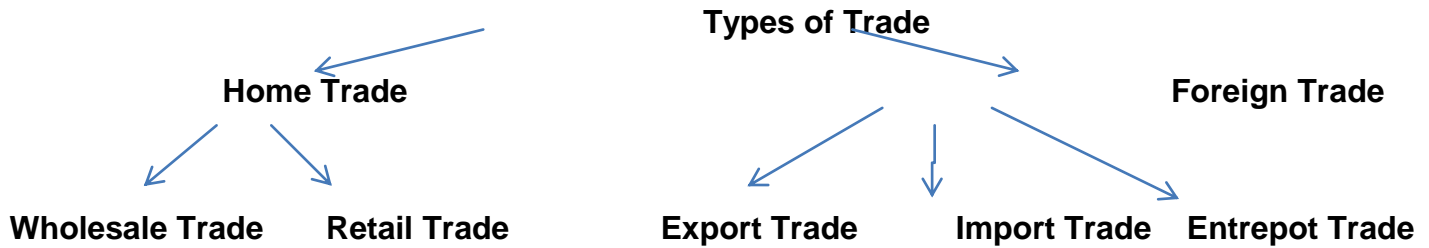
1. Removal of Hindrance of Person	It refers to the lack of contact between the producers and customers Here the trader acts as an intermediary among them and customers are able to find out the products which they are wanted from the market
2. Removal of Hindrance of Place	Producers and customers are in distant places, hence the commodities should be transferred from the production centre to the customers This problem can be solved by the system of commerce by means of transport, packing and insurance
3. Removal of Hindrance of Risk	Goods and properties of business are subject to various risk such as fire, theft, damage etc., Goods and properties of business are subject to various risk such as fire, theft, damage etc.,
4. Removal of Hindrance of Time	There may be a gap between the production and consumption as the production is carried out in anticipation of future demands Therefore, it becomes necessary to store the goods until they are sold This problem can be solved by warehousing
5. Removal of Hindrance of Knowledge	Knowledge of customers about the products and services offered by business organisations is a major problem in business Advertising helps in the removal of hindrance of knowledge among the buyers
6. Removal of Hindrance of Finance	The problem of finance can be handled by banks, which form part of commerce It will also help the businessman in exchange of money between different persons at different places

Functions of Commerce

1. Removal of Hindrance of	Person
2. Removal of Hindrance of	Place
3. Removal of Hindrance of	Risk
4. Removal of Hindrance of	Time
5. Removal of Hindrance of	Knowledge
6. Removal of Hindrance of	Finance

Trade

Buying and selling of goods, which involves the exchange of commodities for money or money's worth



Home Trade

It is also known as domestic trade or internal trade. Buying and selling of goods within the country and both the buyer and seller should belong to the same nation.

1 Wholesale Trade : Buying in large quantities and selling in small quantity. A wholesaler buys goods directly from the producers and sells them to the retailers.

2 Retail Trade: Buying and selling of goods in small quantities. A retail trader buys goods from the wholesalers and sells them to the customers.

Foreign Trade

It is also known as External trade or international trade. It involves the buying and selling of goods and services between persons belonging to two or more countries.

1 Export: Sale of goods to foreign countries.

2 Import: Purchase of goods from foreign countries.


3 Entrepot : Importing goods from one country for the purpose of exporting them to some other countries.





Aids to Trade(Auxiliaries to Trade)

The activities which assist trade are called Aids to Trade or Auxiliaries to Trade. Aids to trade include Transport, Banking, Insurance, Warehousing, Advertising etc.

These service enterprises facilitate movements, finance, risk coverage, storage, and sales promotion of goods.

Transport	Usually production takes place in certain locations and consumption all over the country. This problem is removed by transport through various modes such as road, rail or water transport.	
Communication	Communication is very essential, which helps the producers, traders and consumers in exchange of information. Postal service, telephones and other modern means of communication may be regarded as auxiliaries to business activities.	
Banking and Finance	All business concerns need funds for acquiring assets, raw materials and meeting day-to-day expenses. Finance is the foundation of all business provided by banks.	

Insurance	Insurance provides protection against the risk of loss due to accident, fire, earthquake, theft, damage of goods in stock and transit. On payment of a nominal amount called premium, the amount of loss or damage is compensated by the insurance company	
Warehousing	Production is always in anticipation of future demands, so that the products are to be kept in good condition until they are sold. Warehouses facilitate storage of goods and stabilise prices by equalising supplies.	
Advertising	It helps to reach millions of customers for promoting sales and giving information about the product. Thus advertising makes possible marketing of goods and services on a large scale.	

Business Risk

Risk = Possibility of loss

It can be defined as the chances of loss due to certain uncertain events in the future.

Speculative Risk	It involves both chances of gain or loss. If the market condition is favourable it will result in gain, otherwise, loss. It arises due to change in demand and supply, change in taste and habits of customers etc.
Pure Risk	Possibility of loss or even no loss. If such events take place, it may result in loss, non-occurrence of such events results in absence of loss, instead of gain. It arises due to fire, theft, earthquake, strike etc.



Nature of Business Risk

It arises due to uncertainties	Lack of knowledge about what is going to happen in future. Eg: Change in demand, Govt. Policy, Epidemic like Corona Virus etc.
Essential part of every business	It is an essential part of every business. Every business has its own risks, no business can avoid risk. Risk can be minimised but cannot be eliminated.
Degree of risk depends on the nature and size of business	1. Business dealing with fashionable items has a high degree of risk. 2. A large scale business has high risk than small scale.
Profit is the reward for bearing risk	Profit is the reward for bearing risk. An entrepreneur takes risks under the expectation of higher profit.

Causes of Business Risk

Natural Causes	Risk due to natural calamities. It may include damages from flood, fire, earthquake etc.
Human Causes	It may arise due to certain human activities. Eg: Theft, bad debt, mistakes, accidents etc.
Economic Causes	It includes uncertainties relating to demand for products, competition, price, change in technology, rise in interest rate, higher taxes etc.
Physical Causes	Damage of assets and all the things.
Other Causes	Political disturbances, mechanical failures, change in exchange rates, etc. come under this category.