



INDIAN SCHOOL AL WADI AL KABIR  
DEPARTMENT OF COMMERCE

**EVOLUTION AND FUNDAMENTALS OF BUSINESS**

1. Which type of business risk involves both the possibility of gain as well as the possibility of loss?

**Speculative Risk**

2. Russell sells his mobile phone to his friend at a profit of Rs. 1,000.

a) Will it be considered as a business?

**No. it will not be considered as business** because one single transaction of sale or purchase does not constitute business.

b) State the feature of business which is being highlighted in the given example.

**Dealings in goods and services on a regular basis** is the feature of business which is being highlighted in the given example

c) State any other two features of business activity.

a) **An economic activity**

b) **Profit earning**

c) **Production or procurement of goods and services**

d) **Sale or exchange of goods and services**

3. Reliance Ltd is spending for upliftment of education and sports for financially weaker section of the society. Name the objective Reliance Ltd is practicing.

**Social responsibility**

4. Distinguish between business and profession on the basis of Transfer of interest, risk, capital investment, return.

Basis	Business	Profession
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Transfer of interest	Transfer possible with some formalities	Not possible
Risk	Profits are uncertain and irregular; risk is present	Fee is generally regular and certain; some risk
Capital investment	Capital investment required as per size and nature of business	Limited capital needed for establishment
Return.	Profit earned	Professional fee.

5. It refers to any occupation in which people regularly engage in an activity with a view to earning profit. The activity may consist of production or purchase of goods, sale or exchange of goods or supply of services to satisfy the needs of other people.

Identify the concept.

**Business.**

6. Identify the industries involved:

- a) Automobile Industry-**Assembling** [Manufacturing-secondary industries]
- b) Poultry Farm-**Genetic** [Primary industries]
- c) Oil refineries -**Analytical** [Manufacturing-secondary industries]
- d) Sugar and paper industries-**Processing** [Manufacturing-secondary industries]
- e) Cement industries- **Synthetical industry** [Manufacturing-secondary industries]
- f) Detergent factory-**Synthetical industries.** [Manufacturing-secondary industries]

7. At the stage of peak of revenue and profit Konia Phones faces a crises situation in market.

Being one of the best mobile hand set provider, the upcoming android phones were taking over the market share from Konia. The sudden decrease in sales is resulting into higher losses for Konia.

- a) Identify the causes of business risk faced by the company.

**Economic causes**

- b) Identify the type of risk faced by Konia.

**Speculative risk-** as it arises due to changes in market conditions

- c) State the features of risk.

**Business risks arise due to uncertainties**

**Risk is an essential part of every business**

**Degree of risk depends mainly upon the nature and size of business**

**Profit is the reward for risk taking [Each point need to be explained .Refer notes given]**

8. [Business enterprises need managers to conduct and co-ordinate business activity. Various programmes for motivating managers need to be implemented]. [A business enterprise must aim at standing on stronger footing in terms of offering competitive products to its customers and serving them to their satisfaction.] [Any business requires physical resources like plants, machines, offices etc. and financial resources, i.e. funds to be able to produce and supply goods and services to its customers].

a) Identify the above business concept

**Objectives of business.**

b) Quote the lines from the above paragraph and classify the identified business concept

QUOTE-1 Business enterprises need managers to conduct and co-ordinate business activity. Various programmes for motivating managers need to be implemented- **Manager performance and development**

QUOTE-2 A business enterprise must aim at standing on stronger footing in terms of offering competitive products to its customers and serving them to their satisfaction- **Market standing**

QUOTE-3 Any business requires physical resources like plants, machines, offices etc. and financial resources, i.e. funds to be able to produce and supply goods and services to its customers- **Physical and financial resources**

9. Hardik owns a departmental store his friend Mahesh is a doctor and Manisha is bank manager.

a) What type of human activity they are engaged in?

a) Hardik is engaged in **business**

b) Mahesh is a doctor so he is in a **profession**

c) Manisha is engaged in **employment**

b) Distinguish between their activities based on nature of work, qualification and reward.

Basis	Business	Profession	Employment
Nature of work	Provision of goods and services to the public	Rendering of personalised, expert services	Performing work as per service contract or rules of service
Qualification	No minimum qualification is necessary	Qualifications, expertise and training in specific field as prescribed by the professional body is a must	Qualification and training as prescribed by the employer
Reward	Profit earned	Professional fee	Salaries and wages

10. The earthquake of 2010 had completely ruined a well-set business of Gaurav; he met his friend Ashok in hope to search for job in his company. On enquiring he came to know that due to strike it's not feasible for Ashok to provide any option to Gaurav.

a) What are the causes of risk faced by Gaurav and Ashok?

Gaurav faced **natural causes** while Ashok faced **human causes**.

b) Discuss two other causes of risks.

**Economic causes** [along with explanation]

**Other causes** [along with explanation]

11. "Profit is the only objective of business." Do you agree with this statement? Explain.

No. Profit is not the only objective of business. There are other areas of business that affect the performance and survival of the business.

- a. Market standing
- b. Innovation
- c. Productivity
- d. Physical and financial resource
- e. Earning profit
- f. Manager performance and development

- g. Worker performance and attitude
- h. Social responsibility [all the above points along with explanation]

12. Which hindrance of commerce is highlighted in the following activities?

- a) It reduces the gap between producers and consumers. -**Traders**
- b) It reduces the time gap between production and consumption. -**warehousing**
- c) It informs the consumers about the goods and services available in the market-**advertising.**

13. Business involves various types of risks. Factory building, machinery, furniture etc. must be protected against fire, theft and other risks. On payment of a nominal premium, the amount of loss or damage and compensation for injury, if any, can be recovered from the insurance company. Business activities cannot be undertaken unless funds are available for acquiring assets and meeting the day-to-day expenses. Necessary funds can be obtained by businessmen from a bank.

- a) Name the concept of commerce mentioned above.

Auxiliaries to trade [Here they have mentioned about insurance as well as banking, Both the services are part of auxiliary to trade]

- b) Name the other activity of the concept identified in (a)

Trade.

c) Explain the types of activity identified in (b)

- a) Internal trade and external trade. [along with explanation]
- b) Internal trade -Trade with in the geographical boundaries of the country.it is classified as whole sale and retail. [explain the classification in detail-Refer notes]  
External -outside the boundaries of the country.it is classified into three  
Import export and entrepot- [explain the classification in detail. Refer notes].

14.Explain any 2 major trading cities in detail.

[any two trading centers like Pataliputra, Varanasi, Taxila, Peshawar etc. Explain in detail each trading center]

15. “It refers to sale, transfer or exchange of goods. It helps in making the goods produced available to the consumers or users”.

- a) Identify the concept discussed above.  
Trade
- b) Explain the classification of the identified concept.

Internal trade -Trade with in the geographical boundaries of the country.it is classified as whole sale and retail. [explain the classification in detail-Refer notes]  
External -outside the boundaries of the country.it is classified into three  
Import export and entrepot- [explain the classification in detail. Refer notes].

16, What is the objective of “Make in India”?

- Job creation
- Skill Enhancement

### MCQ'S

1. \_\_\_\_\_ is known as black gold and was particularly valued in the Roman Empire.
  - a) Steel
  - b) Pepper**
  - c) Cloves
  - d) Iron
2. The maritime route connected the east and west by sea
  - a) Silk route
  - b) Spice route**
  - c) Maritime route
  - d) Trade route
3. These industries are engaged in breeding plants and animals for their use in further reproduction.
  - a) Primary industry
  - b) Extractive industry
  - c) Genetic industry**
  - d) Manufacturing industry
4. These activities remove the hindrance of time by facilitating holding of stocks of goods to be sold as and when required.
  - a) Transportation
  - b) Communication
  - c) Banking
  - d) Warehousing**
5. It refers to the obligation of business firms to contribute resources for solving social problems and work in a socially desirable manner.
  - a) Productivity

- b) Market standing
- c) **Social responsibility**
- d) Innovation

### **Fill in the blanks**

1. \_\_\_Chitti\_\_\_ and \_\_\_hundi\_\_\_ were documents used for carrying out transactions in which money passed from hand to hand.
2. \_\_\_Calicut \_\_\_was such a bustling emporium that it was even visited by \_\_\_Chinese\_\_\_\_\_ ships to acquire items, like frankincense and myrrh from the Middle East, as well as, pepper, diamonds, pearls and cotton from India.
3. \_\_\_ Textiles\_ were the principal export from Pulicat to Southeast Asia from \_\_\_Coromandel \_\_\_ coast during the 17<sup>th</sup> century.
4. \_\_\_Punjabi\_\_\_ and \_\_\_Multani\_\_\_ merchants handled business in the northern region.
5. \_\_\_Pataliputra \_\_\_\_\_ was known as a major center for export of stones.
6. \_\_\_Taxila\_ was a major center on the important land route between India and Central Asia. It was also a city of financial and commercial banks.
7. Agate, carnelian, muslin and mallow cloth were exported from \_\_\_Ujjain\_\_\_\_\_ to different centers.
8. \_\_\_ Varanasi\_\_\_\_\_ was a major center of textile industry and became famous for beautiful gold silk cloth and sandalwood workmanship.
9. \_\_\_Business\_\_\_ involves the production and sale of goods and services undertaken with a motive of earning profit by satisfying human needs in society.
10. \_\_\_Tertiary Industries\_\_\_\_\_ are concerned with providing support services to primary and secondary industries as well as activities relating to trade

### **True or false; if false justify.**

1. Cement industry is an example of processing industry. -false. It is an example of synthetical industry.
2. Business is classified into trade and auxiliaries to trade. -false. It is divided into industry and commerce.
3. Businesses are primarily undertaken to earn profits along with other objectives-True.
4. Cement industry is a part of construction industry. -false. It is an example of synthetical industry.

5. 'Make in India' is an initiative launched by the Government of India to encourage national, as well as multinational companies to manufacture their products in India. True

**Give one word to the following questions**

1. It refers to the position of an enterprise in relation to its competitors in the market. -**Market standing**
2. It is ascertained by comparing the value of output with the value of inputs. It is used as a measure of efficiency-**productivity**.
3. It refers to the possibility of inadequate profits or even losses due to uncertainties or unexpected events. -**Business Risk**.
4. It involves both the possibility of gain, as well as, the possibility of loss. It arises due to changes in market conditions, including fluctuations in demand and supply, changes in prices or changes in fashion and tastes of customers-**speculative risk**
5. When goods are imported for export to other countries. -**Entrepot**.