

1. Details of Module and its structure

Module Detail	
Subject Name	Business Studies
Course Name	Business Studies 01 (Class XI, Part- 1)
Module Name/Title	Concept and characteristics of business Classification of business activities: Industry and Commerce – Part 2
Module Id	kebs_10102
Pre-requisites	Knowledge about economic and non-economic activities
Objectives	<ol style="list-style-type: none">1. Meaning of economic activities2. Definition of non –economic activities3. Difference between Business, profession and employment4. Concept and characteristics of business5. Classification of business activities: Industry and Commerce6. Meaning of Industry and its types: primary, secondary, tertiary7. Meaning of Commerce8. Meaning of trade and its types (internal, external, wholesale and retail)
Keywords	Business, Profession, Employment, Trade, Industry and Commerce

2. Development Team

Role	Name	Affiliation
National MOOC Coordinator	Prof. Amarendra P. Behera	CIET, NCERT, New Delhi
Program Coordinator	Dr. Rejaul Karim Barbhuiya	CIET, NCERT, New Delhi
Course Coordinator (CC) / PI	Dr. Punnam Veeraiah	CIVE, RIE Campus, Bhopal
Course Co-Coordinator / Co-PI	Dr. Nidhi Gusain	CIET, NCERT, New Delhi
Subject Matter Expert (SME)	Mr. Sudhir Sapra	Directorate of Education, Govt. of NCT of Delhi
Review Team	Ms. Preeti Sharma	Kenriya Vidyalaya, Sector 24 Noida
Technical Team	Mr. Shobit Saxena Ms. Khushboo Sharma	CIET, NCERT, New Delhi CIET, NCERT, New Delhi

Table of Contents:

1. Economic activities
2. Non-economic activities
3. Difference between Business, profession and employment
4. Concept and characteristics of business
5. Classification of business activities in to Industry and commerce
6. Meaning of Industry and its types: primary, secondary, tertiary
7. Meaning of Commerce
8. Meaning of trade and its types (internal, external, wholesale and retail)

Introduction

When we look around us, we observe that most of the people are engaged in various activities. Teachers teach in the schools, farmers work in the fields, workers work in the factories, drivers drive vehicles, shopkeepers sell goods, and doctors attend patients and so on. In this way, people are busy during the day and sometimes during the night throughout the year. Now the question arises as to why we all keep ourselves busy. The answer is to satisfy our wants. By doing so, we either discharge various obligations or earn money through which we can buy goods and avail services.

All Human beings have different types of needs. So, in order to fulfil those needs they have to perform some or the other activity.

Human activities are classified in to: -

1. Economic activities
2. Non-economic activities

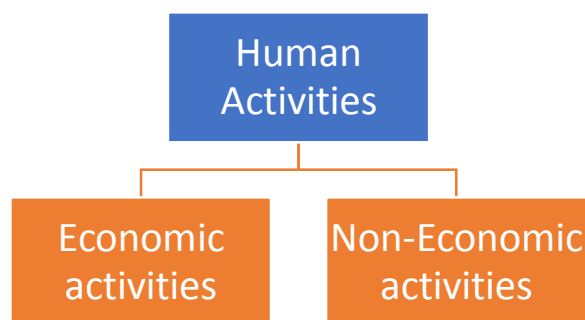


Image 01

Basis	Economic activities	Non-Economic activities
Meaning	Economic activities are those by which we can earn our livelihood and create wealth	Non-Economic activities are those whose aim is not to earn money, but to satisfy social, psychological and emotional needs like love, sympathy, patriotism
Examples	<ul style="list-style-type: none"> • People Working in factories • Cooking food in a restaurant • A teacher teaching in a school • a doctor operating in his clinic 	<ul style="list-style-type: none"> • A house Wife cooking food for her family • A teacher teaching her daughter at home. • A boy helping an old man cross the road
Expectation	People expect profits or money income	People don't expect profits
Outcome	Lead to creation of wealth and assets.	Lead to satisfaction and happiness

Types of Economic Activities

We know that economic activities are undertaken to earn money. Economic activities are those by which we can earn our livelihood. Generally, people engage themselves in such activities on a regular basis and are said to be engaged in their occupation. Occupations may be classified into three broad categories.

- 1) **Business:**
- 2) **Profession:**
- 3) **Employment**

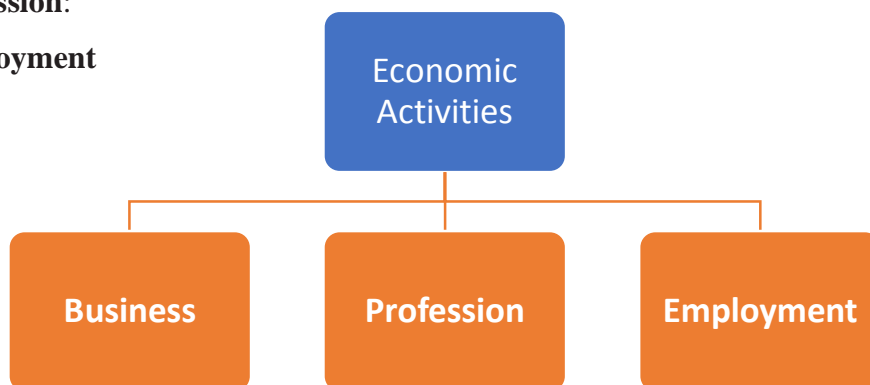


Image 02



1) **Business**

Business refers to those economic activities, which are connected with the production or purchase and sale of goods or supply of services with the main object of earning profit.

For example:

Mining, manufacturing, trading, transporting, storing, banking, insurance etc.

- People engaged in business earn income in the form of profit.

2) **Profession**

Profession includes those activities, which require special knowledge and skill to be applied by individuals in their occupation. Such activities are generally subject to guidelines or codes of conduct laid down by professional bodies.

For example, we need the services of doctors for our treatment, lawyers to get legal support etc.

- Those engaged in profession are known as professionals
- Primary objective of every profession is to provide service

Such activities are generally subject to guidelines or codes of conduct laid down by professional bodies. For example,

Professional	Professional body
Doctors	Medical Council of India
Lawyers	Bar Council of India
Chartered Accountants	Institute of Chartered Accountants of India (ICAI)

Those engaged in professions are known as professionals. For example, doctors are engaged in the medical profession and are subject to the regulations of the Medical Council of India, the concerned professional body. Similarly, lawyers are engaged in the legal profession, governed by the Bar Council of India and Chartered Accountants belong to the accounting profession and are subject to the regulations of the Institute of Chartered Accountants of India.

3) **Employment**

Employment refers to the occupation in which people work for others and get remunerated in return. For example: managers, assistants, clerks, peons or security guards

- Those who are employed by others are known as employees.
- The remuneration payable to an employee is fixed and is paid in the form of wage or salary.

Comparison of Business, Profession and Employment

Basic	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 of personalised, expert services	Performing work as per service contract or rules of service
3. Qualification	No minimum qualification is necessary	Qualifications, expertise and training in a specific field as prescribed by the professional body is a must	Qualification and training as prescribed by the employer
4. Reward or return	Profit earned	Professional fee	Salary or wages
5. Capital investment	Capital investment required as per size and nature of business	Limited capital needed for establishment	No capital required
6. Risk	Profits are uncertain and irregular; risk is present	Fee is generally regular and certain; some risk	Fixed and regular pay; no or little 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 to be followed.

All human beings, wherever they may be, require different types of goods and services to satisfy their needs. The necessity of supplying goods and services has led to certain activities being undertaken by people to produce and sell what is needed by others. Business is a major economic activity in all modern societies concerned as it is with the production and sale of goods and services required by people. The purpose behind most business activities is to earn money by meeting people's demands for goods and services. Business is central to our lives. Although our lives are influenced by many other institutions in modern society such as schools, colleges, hospitals, political parties and religious bodies, business has the major influence on our daily lives. It, therefore, becomes important that we understand the concept, nature and purpose of business.

2. Concept of Business

The term business is derived from the word 'busy'. Thus, business means being busy.

However, in a specific sense, 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 earning profits. The activity may consist of production or purchase of goods for sale, or exchange of goods or supply of services to satisfy the needs of other people. **Business may be defined as an economic activity involving the production and sale of goods and services undertaken with a motive of earning profit by satisfying human needs in society.**

Characteristics of Business Activities

In order to appreciate how business activity is different from other activities in society, the nature of business or its fundamental character must be explained in terms of its distinguishing characteristics, which are as follows:



Image 03

❖ **An Economic activity:**

It means an activity aimed at earning money. Business is also aimed at earning money or livelihood by satisfying human needs. It is not undertaken because of love, affection, sympathy or any other sentimental reason.

❖ **Production and procurement of goods and services:**

- Every business enterprise must either manufacture the goods it deals in or it acquires them from producers to be further sold to consumers.
- Goods may be consumer goods (consumable items of daily use such as sugar, ghee, pen, notebook, etc.) or capital goods like machinery, furniture, etc.
- Services means facility offered to consumers like banking, insurance etc.

❖ **Sale or exchange of goods and services:**

- Directly or indirectly, business involves transfer or exchange of goods and services for value.
- If goods are produced not for the purpose of sale but say for personal consumption, it cannot be called a business activity. Cooking food at home for the family is not business, but cooking food and selling it to others in a restaurant is business.
- Thus, one essential characteristic of business is that there should be sale or exchange of goods or services between the seller and the buyer.

❖ **Dealing in goods and services on a regular basis:**

- It should be a regular activity. One-time sale or exchange will not be considered as business.
- Business involves dealings in goods or services on a regular basis.
- One single transaction of sale or purchase, therefore, does not constitute business.
- Thus, for example, if a person sells his/her mobile phone even at a profit, it will not be considered a business activity. But if he/she sells mobile phones regularly either through a shop or from his/her residence, it will be regarded as a business activity.

❖ **Profit earning:**

- One of the main purposes of business is to earn income by way of profit.
- No business can survive for long without earning profit.
- That is why businessmen make all possible efforts to maximise profits by increasing the volume of sales or
- Reducing costs.

❖ **Uncertainty of earning:**

- Uncertainty of return refers to the lack of knowledge relating to the amount of money that the business is going to earn in a given period.
- Every business invests money (capital) to run its activities with the objective of earning profit.
- But it is not certain as to what amount of profit will be earned.
- Also, there is always a possibility of losses being incurred, in spite of the best efforts put into the business.

❖ **Element of Risk:**

- Risk is the uncertainty associated with an exposure to loss.
- It is caused by some unfavorable or undesirable event.
- The risks are related with certain factors like
 - changes in consumer tastes
 - changes in fashion
 - changes in methods of production
 - strike or lockout in the work place
 - increased competition in market,
 - fire, theft, accidents,
 - Natural calamities, etc.
- No business can altogether do away with risks.

Classification of Business Activities

Various business activities may be classified into two broad categories — industry and commerce. Industry is concerned with the production or processing of goods and materials. Commerce includes all those activities which are necessary for facilitating the exchange of goods and services. On the basis of these two categories, we may classify business firms into industrial and commercial enterprises.

Let us examine in detail the activities relating to business.

Industry

Industry refers to economic activities, which are connected with conversion of resources into useful goods. Generally, the term industry is used for activities in which mechanical appliances and technical skills are involved. These include activities relating to producing or processing of goods as well as breeding and raising of animals. The term industry is also used to mean groups of firms producing similar or related goods. For example, cotton textile industry refers to all manufacturing units producing textile goods from cotton. Similarly, electronic industry would include all firms producing electronic goods, and so on. Further, in common parlance, certain services like banking and insurance are also referred to as industry, say banking industry, insurance industry etc.

Industries may be divided into three broad categories namely primary, secondary and tertiary.

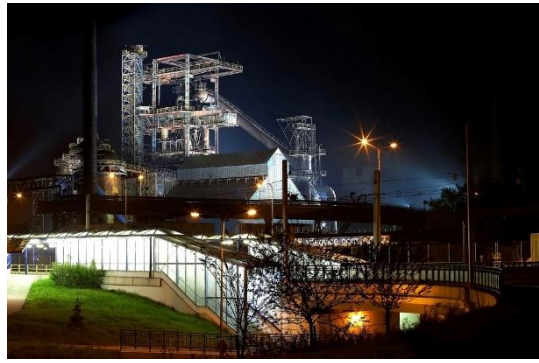


Image 04

(a) **Primary industries:** These include all those activities which are connected with the extraction and production of natural resources and reproduction and development of living organisms, plants etc. These industries may be further sub- divided as follows:

- i. **Extractive industries:** These industries extract or draw out products from natural sources. Extractive industries supply some basic raw materials that are mostly products of geographical or natural environment. Products of these industries are usually transformed into many other useful goods by manufacturing industries. Important extractive industries include farming, mining, lumbering, hunting and fishing operations.



Image 05

- ii. **Genetic industries:** These industries remain engaged in breeding plants and animals for their use in further reproduction. For the breeding of plants, the seeds and nursery companies are typical examples of genetic industries. In addition, activities of cattle-breeding farms, poultry farms, and fish hatchery come under the class of genetic industries.



Image 06

(b) Secondary industries: These are concerned with using the materials, which have already been extracted at the primary stage. These industries process such materials to produce goods for final consumption or for further processing by other industrial units. For example, mining of an iron ore is a primary industry, but manufacturing of steel by way of further processing of raw irons is a secondary industry. Secondary industries may be further divided as follows:

(i) Manufacturing industries: These industries are engaged in producing goods through processing of raw materials and thus creating form utilities. They bring out diverse finished products, that we consume, or use through the conversion of raw materials or partly finished materials in their manufacturing operations.

Manufacturing industries may be further divided into four categories on the basis of method of operation for production.

- *Analytical industry* which analyses and separates different elements from the same materials, as in the case of oil refinery.
- *Synthetical industry* which combines various ingredients into a new product, as in the case of cement.
- *Processing industry* which involves successive stages for manufacturing finished products, as in the case of sugar and paper.
- *Assembling industry* which assembles different component parts to make a new product, as in the case of television, car, computer, etc.

(ii) Construction industries: These industries are involved in the construction of buildings, dams, bridges, roads as well as tunnels and canals. Engineering and architectural skills are an important part in construction industries.

(c) Tertiary industries: These are concerned with providing support services to primary and secondary industries as well as activities relating to trade. These industries provide service facilities. As business activities, these may be considered part of commerce because as auxiliaries to trade these activities assist trade. Included in this category are transport, banking, insurance, warehousing, communication, packaging and advertising.

Commerce

Commerce includes two types of activities, viz., (i) trade and (ii) auxiliaries to trade. Buying and selling of goods is termed as trade. But there are a lot of activities that are required to facilitate the purchase and sale of goods. These are called services or auxiliaries to trade and include transport, banking, insurance, communication, advertisement, packaging and warehousing. Commerce, therefore, includes both, buying and selling of goods i.e., trade, as well as auxiliaries such as transport, banking, etc.

Commerce provides the necessary link between producers and consumers. It embraces all those activities, which are necessary for maintaining a free flow of goods and services. Thus, all activities involving the removal of hindrances in the process of exchange are included in commerce. The hindrances may be in respect of persons, place, time, risk, finance, etc. The hindrance of persons is removed by trade, thereby making goods available to the consumers from the possession or ownership producers. Transport removes the hindrances of place by moving goods from the places of production to the markets for sale. Storage and warehousing activities remove the hindrance of time by facilitating holding of stocks of goods to be sold as and when required. Goods held in stock as well as goods in course of transport are subject to the risk of loss or damage due to theft, fire, accidents, etc. Protection against these risks is provided by insurance of goods. Capital required to undertake the above activities is provided by banking and financing institutions. Advertising makes it possible for producers and traders to inform consumers about the goods and services available in the market. Hence, commerce is said to consist of activities of removing the hindrances of persons, place, time, risk, finance and information in the process of exchange of goods and services.

Make in India is an initiative launched by Govt. of India on 25th September, 2014 to encourage national as well multinational companies to manufacture their products in India. The major objectives behind the 'Make in India' initiative are job creation and skill enhancement in 25 sectors of economy.



Image 07

Trade

Trade is an essential part of commerce. It refers to sale, transfer or exchange of goods. It helps in making the goods produced available to ultimate consumers or users. These days' goods are produced on a large scale and it is difficult for producers to themselves reach individual buyers for sale of their products. Businessmen are engaged in trading activities as middlemen to make the goods available to consumers in different markets. In the absence of trade, it would not be possible to undertake production activities on a large scale.

Trade may be classified into two broad categories — internal and external. Internal, domestic or home trade is concerned with the buying and selling of goods and services within the geographical boundaries of a country. This may further be divided into wholesale and retail trade. When goods are purchased and sold in bulk, it is known as wholesale trade. When goods are purchased and sold in comparatively smaller quantities, for final consumption it is referred to as retail trade. External or foreign trade consists of the exchange of goods and services between persons or organisations operating in two or more countries. If goods are purchased from another country, it is called import trade. If they are sold to other countries, it is known as export trade. When goods are imported for export to other countries, it is known as entrepot trade.

Summary

Concept and characteristics of business: Business may be defined as an economic activity involving the production and sale of goods and services undertaken with the motive of earning profit by satisfying human needs in society. Its distinguished characteristics are: (i) an economic activity, (ii) production or procurement of goods and services, (iii) sale or exchange of goods and services for the satisfaction of human needs, (iv) dealings in goods and services on a regular basis, (v) profit earning, (vi) uncertainty of return, and (vii) element of risk.

Comparison of business, profession and employment: Business refers to those economic activities which are connected with the production or purchase and sale of goods or supply of services with the main object of earning profit. Profession includes those activities, which require special knowledge and skill to be applied by individuals in their occupation. Employment refers to the occupation in which people work for others and get remunerated in return. The three can be compared on the basis of mode of establishment, nature of work, qualification required, reward or return, capital investment, risk, transfer of interest and code of conduct.

Classification of business activities: Business activities may be classified into broad

categories: industry and commerce. Industry refers to economic activities which are connected with conversion of resources into useful goods. Industries may be: primary, secondary or tertiary. Primary industries are connected with the extraction and production of natural resources and reproduction and development of living organisms, plants, etc. Primary industries may be: extractive (like mining) or genetic (like poultry farms). Secondary industries are concerned with using the materials which have already been extracted at the primary stage. These industries could be: manufacturing or construction. Manufacturing industries may be further classified into analytical, synthetical, processing and assembling industries. Tertiary industries are concerned with providing support services to primary and secondary industries as well as activities relating to trade.

Commerce includes activities relating to trade and auxiliaries to trade.

Trade refers to sale, transfer or exchange of goods. It could be classified as internal (domestic) and external (foreign) trade. Internal trade may be wholesale trade or retail trade. External trade could be import, export or entrepot trade.