



# COMMERCE

## 11<sup>th</sup> Standard

Based on the updated new textbook

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- Prepared as per the updated new textbook.
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- Govt. Supplementary Exam September 2020 Question Paper is given.



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**Author :**

**Mr. Boominathan, M.Com., B.Ed., M.Phil.**

**Head Office:**

1620, 'J' Block, 16th Main Road, Anna Nagar,  
**Chennai - 600 040.**

**Phones** : 044-4862 9977, 4862 7755.

**Mobile** : 81242 01000/ 81243 01000

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# UNIT

# FUNDAMENTALS OF BUSINESS

## CHAPTER

# 1

## HISTORICAL BACKGROUND OF COMMERCE IN THE SUB-CONTINENT

### CHAPTER SNAPSHOT

- 1.01 Introduction
- 1.02 Barter System
- 1.03 Hindrances of Commerce
- 1.04 Elimination of Hindrances of Commerce

### EXERCISE

#### I. CHOOSE THE CORRECT ANSWER.

1. In Pandiyas Dynasty the place where the goods are sold is \_\_\_\_\_.

[QY-2019; HY-2019]

- (a) Angadi
- (b) Market
- (c) Nalangadi
- (d) Allangadi

[Ans. (a) Angadi]

2. Hindrance of place is removed by \_\_\_\_\_.

[BEQ] [QY-2018; June-2019; Sep-2020]

- (a) Transport
- (b) Warehouse
- (c) Salesman
- (d) Insurance

[Ans. (a) Transport]

3. Who wrote "Arthasasthra"?

- (a) Kautilya
- (b) Kambar
- (c) Thiruvalluvar
- (d) Elangovadigal

[Ans. (a) Kautilya]

4. Trade and Commerce was common to \_\_\_\_\_ Dynasty.

[BEQ] [First Mid-2018; QY-2018]

- (a) Pallava
- (b) Chola
- (c) Pandiya
- (d) Chera

[Ans. (c) Pandiya]

5. \_\_\_\_\_ was first sultan who paved way in the dense forest and helped traders to move from one market place to others place for their commercial caravans.

- (a) Balban
- (b) Vascoda Gama
- (c) Akbar
- (d) Alauddin Khilij

[Ans. (a) Balban]

#### II. VERY SHORT ANSWER QUESTIONS.

1. What is meant by Barter System?

[HY-2018, 2019; June-2019; Mar-2020]

Ans. (i) In olden days goods were exchanged for goods. It is called barter system.

(ii) Before invention of money goods were exchanged for goods.

**2. What is meant by Nallangadi?**

[BEQ] [First Mid-2018; QY-2018, 2019; Mar-19; Sep-2020]

**Ans. (i)** In Pandiyas period, the place where the goods were sold was called “**Angadi**”.

**(ii)** The day market was called as “**Nallangadi**”.

**3. What is meant by Allangadi?**

**Ans. (i)** In Pandiyas period, the place where the goods were sold was called “**Angadi**”.

**(ii)** The **Night market** was called as **Allangadi**.

**III. SHORT ANSWER QUESTIONS.**

**1. Explain the meaning of the term “Vanigam”.**

**Ans. (i)** The word "Vaniyam" or "Vanipam" would have had a **Dravidian origin**.

**(ii)** The early Tamils produced their products and goods in their lands and bartered their surplus and that is how trade came into existence.

**(iii)** The word “Vanigam” has been widely used in sangam literature like **Purananuru** and **Thirukkural**.

**(iv)** The Tamil Brahmi inscriptions from Alagarmalai, Pugalur, Mangulam and Sri Lanka illustrate the fact that trade in gold, oil, plough, cloth, etc. was conducted during the early age.

**2. State the meaning of Maruvurappakkam and Pattinappakkam.** [BEQ]

**Ans. (i)** Big cities like Poompuhar had two towns called '**Maruvurappakkam**' (inland town) and **Pattinappakkam** (Coastal town).

**(ii)** These towns had market and bazaars where many merchants met one another for the purpose of selling or buying different kinds of commodities and food stuff.

**(iii)** Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy with marts and markets with related activities of imports and Exports.

**(iv)** In such a brisk trade, people of the coastal region engaged themselves in coastal trade and developed their inter-continental trade contracts.

**3. What is the role of Sangam in trade development of ancient Tamilnadu?** [First Mid-2018; QY-2018]

**Ans. (i)** Trade in Sangam period was both internal and external but it was conducted by means of barter.

**(ii)** Trade was one of the major means of **linking various regions** in the medieval period.

**(iii)** Sangam work refers to great traders, their Caravans, their security force, markets, marts and guilds of such great traders.

**(iv)** The important articles which then hilly tribes offered to their neighbours in exchange were honey and roots and fruits while pastoral people offered cattle, milk and milk products.

**(v)** Cattle served as money for sometimes during the same period.

**(vi)** Most of the inland trade was done in salt as medium of exchange under barter mode.

**(vii)** Paddy too served as a medium of exchange for a certain period.

**(viii)** There was dependence and interdependence among the people in matters of trade and commerce.

**4. What are the ports developed by Pandiya Kingdom?** [BEQ] [HY-2018]

**Ans. (i)** Trade and Commerce was common to Pandiya Dynasty. Information collected from the diaries of foreign travellers, voyagers, mariners and adventures of the ancient world highlighted the prosperity of trade in the Pandiya country.

**(ii)** Trade in copper, cloth, salt, flower, sandal wood, fish, paddy, cereals, pearls, etc. flourished during their period.

**(iii)** Besides pandiyas expanded infrastructure for shipping such as ports, light house, warehouse, etc. to promote overseas trade.

**(iv)** Similarly pandiyas developed various ports like Korkai, Saliyur, Kayal, Marungur Pattinam and Kumari are important ports among them for foreign trade.

**5. What was focused in Arthasasthra about trade?**

**Ans. (i)** "**Kautilya's Arthasastra**" describes economy in Mauriyan time. This brought out history of marketing practised some 2,000 years ago.

**(ii)** According to Kautilya, trade in Medieval India was centralised.

**(iii)** Since the commodities produced could not be sold in the location of production, the state designated certain places for selling the commodities.

**(iv)** It levied duties on goods brought into the city and could be sold after payment of duty.



- (v) Kautilya gave importance for the state in relation to treasury, taxation, industry, commerce, agriculture and conservation of natural resources.
- (vi) Arthashastra focused on creation of wealth as the means to promote the well being of the state.

#### IV. LONG ANSWER QUESTIONS.

1. What are the hindrances of commerce? [BEQ]  
[First Mid-2018; QY-2018, 2019; HY-2018;  
Govt. MQP-2019 Mar. 19]

Ans. The various hindrances removed by business are as follows.

- (i) **Hindrance of Person :**
  - (1) Manufacturers do not know the place and face of the consumers.
  - (2) It is the retailer who knows the **taste, preference and location of the consumers.**
- (ii) **Hindrance of place :**
  - (1) Production takes place in one centre and consumers are spread throughout the country and world.
  - (2) Rail, air, sea and land transports bring the products to the place of consumer.
- (iii) **Hindrance of time :**
  - (1) Consumers want products whenever they have money, time and willingness to buy.
  - (2) Goods are produced in anticipation of such demands.
- (iv) **Hindrance of risk of deterioration in quality:**
  - (1) Proper packaging and modern air conditioned storage houses ensure that there is no deterioration in quality of products.
  - (2) Goods are protected against insects, rats, evaporation etc.
- (v) **Hindrance of risk of loss :**
  - (1) Fire, theft, floods and accidents may bring huge loss to the business.
  - (2) Insurance companies serve to cover the risk of such losses.
- (vi) **Hindrance of knowledge :**

**Advertising and communication** help in announcing the arrival of new products and their uses to the people.
- (vii) **Hindrance of exchange :**

Money functions as a **medium of exchange** and enable the buying and selling of any product or service by payment of the right price.

#### 2. State the constraints in barter system.

[First Mid-2018; Sep-2020]

Ans. Barter system imposes certain constraints in the smooth flow of trade as explained below.

- (i) **Lack of double coincidence of wants :**
  - (1) Unless two persons who have surplus have the demand for the goods possessed by each other, barter could not materialize.
  - (2) For instance 'A' is having a surplus of groundnut and 'B' is possessing rice in surplus.
  - (3) If this "coincidence of wants" does not exist, Barter cannot take place.
- (ii) **Non-existence of common measure of value:**
  - (1) Barter system could not determine the value of commodities to be exchanged as they lacked commonly acceptable measures to evaluate each and every commodity.
  - (2) It was difficult to compare the values of all articles in the absence of an acceptable medium of exchange.
- (iii) **Lack of direct contact between producer and consumers**
  - (1) It was not possible for buyers and sellers to meet face to face in many contexts for exchanging the commodities for commodities.
  - (2) This hindered the process of barter in all practical sense.
- (iv) **Lack of surplus stock :**

Absence of surplus stock was one of the impediments in barter system. If the buyers and sellers do not have surplus then no barter was possible.

#### 3. Explain the development of Commerce and Trade in North India.

- Ans. (i) Balban was the first sultan who paved the way in the dense forest and helped traders and their commercial caravans to move from one market place to others.
- (ii) Alauddin Khilji encouraged import of foreign goods from Persia and subsidised the goods.
  - (iii) Arabs were dominant players in India's foreign trade. They never discouraged Indian traders like Tamils, Gujaratis, etc..

- (iv) The important trade centres were Delhi, Mumbai, Ahmedabad, Sonar, Sonargoon, Jaunpur, Lahore and so on.
- (v) India's handicraft commanded a good foreign market. India imported horses, dry fruits, precious stones, glassware, high grade textiles, raw silk, corals, scented oil, velvets, etc.. from Kabul, Arabia, Europe, West Asia and China.
- (vi) Indian products were exported to East Africa, Malaya, China and Far East.
- (vii) The traders of Malabar, Gujarat and foreign settlers in the ports of Calicut, Khumbat and Mangalore controlled a major business sector in port cities.

**4. Briefly explain the Coastal trade in ancient Tamil Nadu.** [BEQ]

- Ans.** (i) The South Coromandel coast mostly within the territory of Tamil Nadu state is thick with history.
- (ii) The **seaside town** which was once the second capital of the **Chola Dynasty** and a major centre of international trade with both eastern and western people.
- (iii) Big cities like Poompuhar had the 'Maruvurappakam' (inland town) and 'Pattinapakkam' (coastal Town), had market and bazaars where many merchants met one another for the purpose of selling or buying different kinds of commodities and food stuff.

- (iv) Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy with marts and markets with activities related to imports and exports.
- (v) In such a brisk trade, people of the coastal region, engaged themselves in coastal trade and developed their intercontinental trade contacts.

**5. What do you know about the overseas trading partners of ancient Tamil nadu?** [Mar-2020]

- Ans.** (i) The discovery of new all-sea routes from Europe to India via Cape of Good Hope by Vasco da Gama had far – reaching impact on the civilized world.
- (ii) The arrival of Portuguese in India was followed by the advent of other European communities.
- (iii) India's maritime trade was a monopolized one over Europeans and at one stage the global trade share of India was 55 percent which is just 2 per cent in 21<sup>st</sup> century.
- (iv) They gained a strong foothold in India's maritime trade by virtue of their strong naval power.
- (v) Britishers put in place policies prohibiting the export of some of the popular goods like Indian textile goods, handicrafts, to Great Britain.

## GOVERNMENT EXAM QUESTIONS & ANSWERS

### I. SHORT ANSWER QUESTIONS

**3 MARKS**

**1. What is hindrance of finance?** [QY-2019]

- Ans.** (i) Producers and traders may not have the **required funds** at the time of their need.
- (ii) The problem of finance affects the producer, trader and the consumer. This Hindrance is known as Hindrance of Finance.

**2. What are the conditions to be satisfied for the working of barter system?** [BEQ] [HY-2019]

**Ans.** Goods were exchanged for goods prior to invention of money. Barter system worked on certain conditions mentioned below.

1. Each party to barter must have surplus stocks for the trade to take place.

2. Both the buyers and sellers should require the goods each other desperately i.e., double coincidence of wants
3. Buyer and seller should meet personally to effect the exchange.

### II. LONG ANSWER QUESTIONS **5 MARKS**

**1. Business consists of many hindrances, while facilitating the production and distribution of goods.** [BEQ] [Govt. MQP-2018]

- (I) List any five such hindrances.
- (II) Explain any three.
- (III) How are they overcome?

- Ans.** (I) (i) Hindrance of Person  
(ii) Hindrance of place  
(iii) Hindrance of time  
(iv) Hindrance of knowledge  
(v) Hindrance of risk of loss

**(II) (i) Hindrance of Person :**

- (1) Manufacturers do not know the place and face of the consumers.
- (2) It is the retailer who knows the taste, preference and location of the consumers.

**(ii) Hindrance of place :**

- (1) Production takes place in one centre and consumers are spread throughout the country and world.
- (2) Rail, air, sea and land transports bring the products to the place of consumer.

**(iii) Hindrance of time :**

- (1) Consumers want products whenever they have money, time and willingness to buy.
  - (2) Goods are produced in anticipation of such demands.
- (III) (i)** Trade removes the hindrance of person.  
**(ii)** Transport removes place hindrance.  
**(iii)** Warehousing removes the hindrance of time.  
**(iv)** Advertisement and salesmanship removes hindrance of knowledge.  
**(v)** Insurance removes hindrance of risk.

## ADDITIONAL QUESTIONS & ANSWERS

### I. CHOOSE THE CORRECT ANSWER

1 MARK

**(i) CHOOSE THE CORRECT OPTION.**

**1. Barter system refers to**

- (a) Exchange of goods against cash
- (b) Exchange of cash against cash
- (c) Exchange of goods against goods
- (d) Exchange of service against cash

[Ans. (c) Exchange of goods against goods]

**2. Warehouse removes the hindrance of [BEQ]**

- |              |                          |
|--------------|--------------------------|
| (a) personal | (b) time                 |
| (c) place    | (d) risk [Ans. (b) time] |

**3. Day market was called as**

- |               |                   |
|---------------|-------------------|
| (a) Allangadi | (b) Nalangadi     |
| (c) Market    | (d) None of these |

[Ans. (b) Nalangadi]

**4. Foreigners who transacted business were known as [BEQ]**

- |             |              |
|-------------|--------------|
| (a) Jonagar | (b) Arabs    |
| (c) Europe  | (d) Yavanars |

[Ans. (d) Yavanars]

**5. Arabs who traded with Tamil were called**

- |              |                   |
|--------------|-------------------|
| (a) Yavanars | (b) Jonagar       |
| (c) Both     | (d) None of these |

[Ans. (b) Jonagar]

**(ii) MATCH LIST I WITH LIST II AND SELECT THE CORRECT ANSWER USING THE CODES GIVEN BELOW.**

1.

	List I		List II
(i)	Hindrance of person	(1)	ware housing
(ii)	Hindrance of place	(2)	Damage by fire
(iii)	Hindrance of time	(3)	Transports
(iv)	Hindrance of risk of loss	(4)	Retailers

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	2	3	1	4
(d)	3	4	2	1

[Ans. (b) (i) - 4, (ii) - 3, (iii) - 1, (iv) - 2]

**(iii) CHOOSE THE CORRECT OPTION AND FILL IN THE BLANKS.**

**1. \_\_\_\_\_ is part and parcel of human life, whether it is a king or common man.**

- |              |              |
|--------------|--------------|
| (a) Commerce | (b) Industry |
| (c) Trade    | (d) Business |

[Ans. (a) Commerce]

**2. The word vaniyam or vanipam would have had a \_\_\_\_\_ origin.**

- |           |                   |
|-----------|-------------------|
| (a) Tamil | (b) Dravidian     |
| (c) Greek | (d) None of these |

[Ans. (b) Dravidian]

3. \_\_\_\_\_ focused on creation of wealth as the means to promote the well being of the state.

- (a) Thirukural (b) Ilakiyam  
(c) Arthasastra (d) Tholkappiam

[Ans. (c) Arthasastra]

4. Commerce serves as a valuable link between the \_\_\_\_\_ and the \_\_\_\_\_.

- (a) producer, consumer (b) consumer, worker  
(c) producer, worker (d) consumer, manager

[Ans. (a) producer, consumer]

5. The barter envisages mutual exchange of goods without \_\_\_\_\_ as a medium of exchange.

- (a) Money (b) Services  
(c) Both (d) None of these

[Ans. (a) Money]

6. Warehouse facilities create \_\_\_\_\_ utility.

- (a) Service (b) Place  
(c) Time (d) Form

[Ans. (c) Time]

7. The growth of civilisation and standard of living of the people \_\_\_\_\_, activities were developed.

- (a) commerce (b) trade  
(c) industry (d) business

[Ans. (d) business]

(iv) PICK THE ODD ONE OUT.

1. (a) Alagankulam (b) Ooty  
(c) Nikam (d) Colchi

[Ans. (b) Ooty]

Reason :

(i) Ooty is a popular hill station located in the Nilgiri Hills.

(ii) Other three places are important ancient trade centres in Tamilnadu.

2. (a) Kambar (b) Thiruvalluvar  
(c) Karikalan (d) Elangovadigal

[Ans. (c) Karikalan]

Reason :

(i) Karikalan was a Tamil chola king who ruled Southern India.

(ii) Kambar, Thiruvalluvar and Elangovadigal contributed immensely to the Indian Literature.

(v) WHICH ONE OF THE FOLLOWING IS NOT CORRECTLY MATCHED?

1. (a) Barter system - Goods against goods  
(b) Hindrance of risk - Insurance  
(c) Hindrance of finance - Banks  
(d) Hindrance of knowledge - Service

[Ans. (d) Hindrance of knowledge - Service]

2. (a) E-commerce - Website  
(b) Hindrance of finance - Banks  
(c) Hindrance of knowledge - Advertising  
(d) Hindrance of person - Warehousing

[Ans. (d) Hindrance of person - Warehousing]

(vi) CONSIDER THE FOLLOWING STATEMENT.

1. Assertion (A) : Trade in sangam period was both internal and external but it was conducted by means of barter.

Reason (R) : Trade was one of the major means of linking various regions in the medieval period.

Select the correct answer.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)  
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)  
(c) (A) is true, but (R) is false  
(d) (A) is false, but (R) is true

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

2. Assertion (A) : Banks and other financial institutions provide funds and help in transfer of funds to enable the functioning of business smoothly.

Reason (R) : Insurance companies serve to cover the risk of such losses.

Select the correct answer.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)  
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)  
(c) (A) is true, but (R) is false  
(d) (A) is false, but (R) is true

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

### (vii) CHOOSE THE CORRECT STATEMENT

1. I) Production of goods and services for the satisfaction of human wants is the main objective of an industry  
II) Absence of surplus stock was one of the impediments in barter system.  
III) Goods were exchanged for goods prior to invention of money.  
(a) (I) is correct  
(b) (II) is correct  
(c) (III) is correct  
(d) (I), (II) and (III) are correct

[Ans. (d) (I), (II) and (III) are correct]

### 2. The hindrances of Trade are

- I) Hindrance of person
  - II) Hindrance of time
  - III) Lack of surplus stock
  - IV) Producer and consumer
- (a) I and II                      (b) II and IV  
(c) I and IV                      (d) II and III

[Ans. (a) I and II]

### (viii) POINT OUT THE WRONG STATEMENT IN THE FOLLOWING:

1. (a) The word 'vanigam' has been widely used in sangam literature like Purananuru and Thirukkural.  
(b) Trade was one of the major means of linking various regions in the medieval period.  
(c) Paddy too served as a medium of exchange for a certain period.  
(d) Night market was called as Nalangadi.

[Ans. (d) Night market was called as Nalangadi.]

2. (a) Foreigners who transacted business were known as yavanars.  
(b) Arabs who traded with Tamil were called 'Jonagar'  
(c) Textiles and ship building earned name and fame in the 20<sup>th</sup> centuries.  
(d) Main roads known as peruvalli were built for surface transportation.

[Ans. (c) Textiles and ship building earned name and fame in the 20th centuries.]

### II. VERY SHORT ANSWER QUESTIONS

2 MARKS

#### 1. What is meant by hindrance of knowledge?

- Ans. (i)** The Consumer may not buy the best products available in the market because they may not possess the knowledge of the market conditions.  
**(ii)** Hence, it is known as hindrance of knowledge.

#### 2. List out the Important Hindrance of Business.

- Ans. (i)** Hindrance of Person  
**(ii)** Hindrance of Place  
**(iii)** Hindrance of Time  
**(iv)** Hindrance of Finance  
**(v)** Hindrance of Knowledge

### III. SHORT ANSWER QUESTIONS 3 MARKS

#### 1. Write a note on (i) Hindrance of finance, (ii) Hindrance of developing the exact product (iii) Hindrance of delivery at doorsteps.

- Ans. (i) Hindrance of finance :**  
(1) Producers and traders may not have the required funds at the time of their need.  
(2) Banks and other financial institutions provide funds and help in transfer of funds to enable the functioning of business smoothly.
- (ii) Hindrance of developing the exact product :**  
Research and development helps in developing the exact product or service which can satisfy the **specific wants of consumers** and thus improve the standard of living of the people.
- (iii) Hindrance of delivery at doorsteps :**  
E-Commerce enables the consumer to select the product in the website, place online orders and make payment after receiving the product at the door step.



CHAPTER SNAPSHOT

- 2.01 Introduction
- 2.02 Types of Economic Activities
- 2.03 Characteristics of Business
- 2.04 Objectives of Business

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. The Primary objective of a business is  
[BEQ] [QY-2018; HY-2018, 2019]  
(a) Making Profit (b) Not making Profit  
(c) Special Skill (d) None of the above  
[Ans. (a) Making Profit]
2. Occupation of a Doctor is  
[BEQ] [QY-2018, 2019; Govt. MQP-2019]  
(a) Employment (b) Business  
(c) Profession (d) Sole Proprietor  
[Ans. (c) Profession]
3. The following does not characterize business activity?  
[BEQ] [Govt. MQP-2018; Sep-2020]  
(a) Production of goods and services  
(b) Presence of risk  
(c) Sale or exchange of goods and services  
(d) Salary or wages [Ans. (d) Salary or wages]
4. Activities undertaken out of love and affection or with social service motive are termed as :  
(a) Economic activities [BEQ] [First Mid-2018; QY-2019]  
(b) Monetary activities [Mar-2020]  
(c) Non-Economic activities  
(d) Financial Activities  
[Ans. (c) Non-Economic activities]

II. VERY SHORT ANSWER QUESTIONS.

1. Define Economic Activities.  
[BEQ]  
Ans. (i) Economic Activities refers to those activities which are undertaken with the **object of earning money.**  
(ii) **For Example :** Workers working in a factory, shopkeeper selling the goods in his Shop, Doctor attending the patient in his Clinic, etc.
2. What do you mean by Business? [BEQ]  
Ans. Business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services.
3. Define Profession. [BEQ] [First Mid-2018; QY-2019]  
Ans. (i) Professions are those occupations which involve rendering of personal services of a **special and expert nature.**  
(ii) It includes professional activities. People engaged in a profession are known as Professionals.  
(ii) **For Example :** Lawyers, Doctors, Engineers and Chartered Accountants.

#### 4. What do you mean by Employment?

- Ans.** (i) Employment refers to the occupation in which people work for others and get remuneration in the form of wages or salaries.
- (ii) The one who is employed by others are called employees, and the one who employs others is called employer.
- (iii) **For Example :** Managers, Clerks, Bank officials, Factory workers, etc.

### III. SHORT ANSWER QUESTIONS.

#### 1. What do you mean by human activities? Explain.

**Ans. Human activities :**

- (i) Human activity is an activity performed by a human being to meet his/her needs and wants or may be for personal satisfaction.
- (ii) Human activities can be categorised into economic and non-economic activities.
- (1) **Economic Activities :**
- (a) Activities undertaken with the object of earning money are called economic activities.
- (b) **Examples :**
- Production of goods by manufacturers
  - Distribution of goods by wholesalers
- (2) **Non-Economic Activities :**
- (a) Activities undertaken to satisfy social and psychological needs are called non-economic activities.
- (b) **Examples :**
- Cooking food for family
  - Celebrating festivals

#### 2. Write Short notes on :

(a) Business (b) Profession [Sep-2020]

**Ans. (a) Business :** [BEQ] [Govt. MQP-2019; June-2019]

- (i) Business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services.
- (ii) Business activities are connected with raising, producing or processing of goods.

(b) **Profession :**

- (i) Professions are those occupations which involve rendering of personal services of a special and expert nature.

- (ii) A profession is something which is more than a job. It is a career for someone who is competent in their respective areas.
- (iii) Those engaged in a profession are called professionals and they earn income by charging professional fee. **E.g.** Lawyer, Engineer, Doctor, etc.

#### 3. Explain the classification of 'Business'.

**Ans.** Business activities are classified on the basis of size, ownership and function.

(i) **Activities on the Basis of Size**

On the basis of size, business activities may be broadly grouped into two categories.

- (a) Small Scale
- (b) Large Scale

(ii) **Activities on the Basis of ownership**

On the basis of ownership business activities may be broadly grouped into three categories.

- (a) Private Enterprises
- (b) Public Enterprises
- (c) Joint Enterprises

(iii) **Activities on the Basis of Function**

On the basis of functions, business activities may be broadly grouped into two categories.

- (a) Industry
- (b) Commerce

#### 4. Briefly state the human objectives of a business.

- Ans. (i)** Human objectives refer to the objectives aimed at the well-being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training.
- (ii) The human objectives of business may thus include economic well-being of the employees, social and psychological satisfaction of employees and development of human resources.

### IV. LONG ANSWER QUESTIONS.

#### 1. Explain the characteristics of Business. [BEQ]

**Ans.** The essential characteristics of business are as follows :

(i) **Production or Procurement of Goods :**

Goods must be produced or procured in order to satisfy human wants.

(ii) **Sale, Transfer or Exchange :**

There must be sale or exchange of goods or services. When a person weaves cloth for his personal consumption, it is not business because there is no transfer or sale.

**(iii) Dealing in Goods and Services :**

- (1) Goods produced or procured may be consumer goods like cloth, pen, brush, bag etc., or producer-goods like plant and machinery.
- (2) Services refer to activities like supply of electricity, gas or water, transportation, banking, insurance etc.

**(iv) Regularity of Dealings :**

- (1) An isolated dealing in buying and selling does not constitute business. The transactions must be regular.
- (2) The buying and selling must be recurrent to constitute business.

**(v) Profit Motive :**

- (1) An important feature of business is profit motive.
- (2) Business is an economic activity by which human beings make their living.

**(vi) Element of Risk :**

- (1) The profit that is expected in a business is always uncertain because it depends upon a number of factors beyond the control of the businessman.
- (2) Thus, any business activity includes an element of risk too.

**2. Compare business with profession and employment.**

[BEQ]

Ans.

Basis	Business	Profession	Employment
<b>(1) Mode of Establishment</b>	Promoter's decision registration and other formalities as prescribed by law.	Membership of a professional body or certificate of practice.	Service contract or letter of appointment.
<b>(2) Nature of work</b>	Goods and services provided to the public.	Personalized service of expert nature.	Performing work assigned by the employer.
<b>(3) Qualification</b>	No minimum qualification is essential.	Education and training in specialized field.	Minimum qualification is essential.
<b>(4) Basic Motive</b>	Earning profits by satisfying needs of society.	Rendering service.	Earning wages or salary by serving the employer.
<b>(5) Capital</b>	Capital investment required as per size of the firm.	Limited capital necessary for establishment.	No capital required.
<b>(6) Reward</b>	Profits	Professional fee	Salary or wages
<b>(7) Risk</b>	Profits are uncertain and irregular.	Fee is regular and certain, never negative.	Fixed and regular pay, no risk.

**3. Discuss any five objectives of business.**

[QY-2018, 2019; Mar-2020]

Ans. Various objectives of business may be classified into five broad categories as follows :

**(i) Economic Objectives :**

Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which includes creation of customers, regular innovations and best possible use of available resources.

**(ii) Social Objectives :**

- (1) Social objectives are those objectives of business, which are desired to be achieved for the benefit of the society.

- (2) Since business operates in a society by utilizing its scarce resources, the society expects something in return for its welfare.

**(iii) Organizational Objectives :**

The organizational objectives denote those objectives an organization intends to accomplish during the course of its existence in the economy like expansion and modernization, supply of quality goods to consumers, customers' satisfaction, etc.

**(iv) Human Objectives :**

Human objectives refer to the objectives aimed at the well-being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training.



(v) **National Objectives :**

(1) Being an important part of the country, every business must have the objective of fulfilling national goals and aspirations.

(2) Business activities should be conducted keeping these goals of the country in mind, which may be called national objectives of business.

**4. Distinguish between economic and non-economic activity.**

[BEQ] [First Mid-2018; QY-2018; June-2019]

Ans.

Basis	Economic activities	Non - economic activities
(1) <b>Definition</b>	Economic activities are those activities which are undertaken to earn money or financial gain for livelihood. <b>e.g :</b> Fruit seller selling fruits.	Non-economic activities are those activities which are undertaken for the sake of pleasure, performed out of love, sympathy, sentiments etc. <b>e.g :</b> Mother cooks for her family.
(2) <b>Motive</b>	Sole motive is to earn money or financial gain. <b>e.g :</b> Working as lawyer	Undertaken for satisfaction of social, psychological or emotional needs. <b>e.g :</b> Visit to a temple
(3) <b>Money Measurement</b>	All economic activities can be valued in monetary terms. <b>e.g :</b> Doctor charges ₹500 as consultation fee.	Non-economic activities cannot be valued in monetary terms. These are an expression of a thought, feeling or a gesture. <b>e.g :</b> An NGO distributes free clothes to poor children.
(4) <b>Relationship</b>	Economic activities are related to creation of wealth. <b>e.g :</b> Ram saved part of his salary to purchase a house of his own.	Non-economic activities do not create wealth. <b>e.g :</b> Money received as donation is spent on charity work.
(5) <b>Outcome</b>	All economic activities result in production, procurement, distribution and consumption of goods and services. <b>e.g :</b> Nokia produces cell phones and sells across India through its distributors.	The end result of a non-economic activity is the mental, emotional or psychological satisfaction of the person doing the activity. <b>e.g :</b> Sona enjoys teaching orphans in an orphanage.
(6) <b>Duration</b>	Economic activities are repetitive. They are done on a regular basis to earn a living. <b>e.g :</b> Kulfi ice cream seller sells ice creams every evening.	Non-economic activities may not be undertaken regularly. Usually they are done during free time. <b>e.g :</b> Sankar visits orphanage in his free time
(7) <b>Source of Initiation</b>	Economic activities are initiated to satisfy human needs and wants.	Non-economic activities are initiated to satisfy emotional or sentimental pleasures.

## GOVERNMENT EXAM QUESTIONS & ANSWERS

**I. CHOOSE THE CORRECT ANSWER**

**1 MARK**

**(i) CHOOSE THE CORRECT OPTION.**

**1. Which one of the following comes under Non-economic Activities?** [Mar. 19]

- (a) Working as a Lawyer
- (b) Doctor Charges Consultation Fees
- (c) Fruit Seller Selling Fruits
- (d) Visit to a Temple [Ans. (d) Visit to a Temple]

**(ii) WHICH ONE OF THE FOLLOWING IS NOT CORRECTLY MATCHED?**

**1.** [BEQ] [Govt. MQP-2018]

- (a) Business - Profit
- (b) Profession - Professional fee
- (c) Employment - Salary or wages
- (d) Industry - Purchase or sale

[Ans. (d) Industry - Purchase or sale]

**2. Which one of the following is not the characteristics of sole trading?** [June-2019]

- (a) Ownership by one man
- (b) Limited liability
- (c) Enjoying entire profit
- (d) Maintenance of secrecy

[Ans. (b) Limited liability]

**3. Business refers to “Economic activities performed for earning profits” is said by :** [Mar-2020]

- (a) Wheeler (b) Sprigal
- (c) James Stephenson (d) H.Haney

[Ans. (c) James Stephenson]

**(iii) MATCH LIST I WITH LIST II AND SELECT THE CORRECT ANSWER USING THE CODES GIVEN BELOW.**

**1.** [BEQ] [Govt. MQP - 2018]

List I		List II	
(i)	Economic objectives	(1)	Employment opportunity
(ii)	Social objectives	(2)	Customer satisfaction

(iii)	Organisational objectives	(3)	Welfare of the people
(iv)	National objectives	(4)	Earning profit

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	2	1
(c)	2	3	1	4
(d)	3	4	1	2

[Ans. (b) (i) - 4, (ii) - 3, (iii) - 2, (iv) - 1]

## II. VERY SHORT ANSWER QUESTIONS

**2 MARKS**

**1. Thirupathi is the famous cardiologist of his town. Identify the type of economic activity highlighted in the given case. Write the meaning of it.**

[BEQ] [Govt. MQP-2018]

**Ans.** The type of economic activity is professions.

Professions are those occupations which involve rendering of personal services of a special and expert nature. A profession is something which is more than a job. Those engaged in a profession are called professionals and they earn income by charging professional fee.

## ADDITIONAL QUESTIONS & ANSWERS

### I. CHOOSE THE CORRECT ANSWER

**1 MARK**

**(i) CHOOSE THE CORRECT OPTION.**

**1. Which one of the following is not a non-economic activity?**

- (a) Cooking food for family
- (b) Medical advice rendered by physicians
- (c) Celebrating festivals (d) Doing meditation

[Ans. (b) Medical advice rendered by physicians]

**2. Which one of the following is not an economic activity?**

- (a) Production of goods (b) Distribution of goods
- (c) Celebrating birthday (d) Selling by retailers

[Ans. (c) Celebrating birthday]

**3. The Occupation in which people work for others and get remunerated in return is known as** [BEQ]

- (a) Business (b) Employment
- (c) Profession (d) Trade

[Ans. (b) Employment]

**4. The reward for doing a business is**

- (a) Profit (b) Salary
- (c) Wages (d) Fees [Ans. (a) Profit]

**5. Economic activities are undertaken to earn**

- (a) profit (b) money
- (c) income (d) none of these

[Ans. (b) money]

**(ii) MATCH LIST I WITH LIST II AND SELECT THE CORRECT ANSWER USING THE CODES GIVEN BELOW.**

**1.**

	List I		List II
(i)	Small scale	(1)	Huge capital
(ii)	Large scale	(2)	Sundar stationeries
(iii)	Private enterprises	(3)	ONGC
(iv)	Public enterprises	(4)	Power looms

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	4	1	2	3
(b)	1	2	3	4
(c)	3	4	2	1
(d)	2	4	1	3

[Ans. (a) (i) - 4, (ii) - 1, (iii) - 2, (iv) - 3]

**(iii) CHOOSE THE CORRECT OPTION AND FILL IN THE BLANKS.**

- Human activities can be categorised in \_\_\_\_\_ activities.  
(a) two (b) three  
(c) four (d) five [Ans. (a) two]
- Activities undertaken with the object of earning money are called \_\_\_\_\_ activities.  
(a) primary (b) secondary  
(c) economic (d) non-economic  
[Ans. (c) economic]
- \_\_\_\_\_ are the examples of employees.  
(a) Owners (b) producers  
(c) wholesalers (d) factory workers  
[Ans. (d) factory workers]
- Large scale units require \_\_\_\_\_ capital.  
(a) less (b) huge  
(c) fixed (d) none of these  
[Ans. (b) huge]
- \_\_\_\_\_ should be a systematic body of knowledge.  
(a) Employment (b) Profession  
(c) Business (d) None of these  
[Ans. (b) Profession]

**(iv) PICK THE ODD ONE OUT.**

- (a) Business (b) Profession  
(c) Goods (d) Employment  
[Ans. (c) Goods]  
**Reason :**  
(i) Goods also called 'Products', 'commodities', 'things' etc.  
(ii) Other three are classification of occupations.
- (a) Economic activities  
(b) National objectives  
(c) Human objectives  
(d) Social objectives [Ans. (a) Economic activities]  
**Reason :**  
(i) Activities undertaken with the object of earning money are called economic activities.  
(ii) Other three are objectives of Business.

**(v) WHICH ONE OF THE FOLLOWING IS CORRECTLY MATCHED?**

- (a) Economic activities - Earning money  
(b) Employment - Doctor  
(c) Profession - Clerks  
(d) Business - Visit to a temple

[Ans. (a) Economic activities - Earning money]

**(vi) WHICH ONE OF THE FOLLOWING IS NOT CORRECTLY MATCHED?**

- (a) Economic objectives - Earning profit  
(b) Social objectives - Customer's satisfaction  
(c) Human objectives - Psychological satisfaction  
(d) National objectives - Social justice

[Ans. (b) Social objectives - Customer's satisfaction]

**(vii) CONSIDER THE FOLLOWING STATEMENT.**

- Assertion (A) : Professions are those occupations which involve rendering of personal services of a special and expert nature.  
Reason (R) : It is a career for someone who is competent in their respective areas.

Select the correct answer.

- Both (A) and (R) are true and (R) is the correct explanation of (A)
- Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (A) is true, but (R) is false
- (A) is false, but (R) is true

[Ans. (a) Both (A) and (R) are true and (R) is the correct explanation of (A)]

**(viii) CHOOSE THE CORRECT STATEMENT**

- I) Economic activities are related to creation of wealth.  
II) Managers, clerks, bank officials are the examples of employees.  
III) Industries may be classified in to three types.  
(a) (I) is correct (b) (II) is correct  
(c) (III) is correct  
(d) (I) and (II) are correct

[Ans. (d) (I) and (II) are correct]

**2. The feature of business are**

- I) Procurement of goods
  - II) Limited liability
  - III) Profit motive
  - IV) Economic objectives
- (a) I and II                      (b) II and IV  
(c) I and III                     (d) II and III

[Ans. (c) I and III]

**(ix) POINT OUT THE WRONG STATEMENT IN THE FOLLOWING:**

1. (a) Human activities can be categorised into economic and non-economic activities.  
(b) Activities undertaken with the object of earning money are called non-economic activities.  
(c) Occupations may be classified into three categories.  
(d) Small scale units require less capital.

[Ans. (b) Activities undertaken with the object of earning money are called non-economic activities.]

2. (a) Commerce relates to all economic activities resulting in production, exchange distribution and consumptions of commodities and services.  
(b) Profit is an incentive for undertaking all commercial activities.  
(c) Transportation facilities help in creating place utility of goods.  
(d) Economic activities involves the production of goods and materials.

[Ans. (d) Economic activities involves the production of goods and materials.]

**II. VERY SHORT ANSWER QUESTIONS**

**2 MARKS**

1. Define the term "Business" according to H. Haney.

**Ans.** According to H. Haney "Business may be defined as a human activity directed towards producing or acquiring wealth through buying and selling of goods.

2. Classify the following activities into economic or non-economic activities. [BEQ]

- (i) Bala cooking food for her family
- (ii) A person selling cool drinks in the bus stand
- (iii) A student praying in temple for scoring high marks in the Examination

- (iv) A person teaching his daughter for her public exams

**Ans.** (i) Non-economic activities.  
(ii) Economic activities.  
(iii) Non-economic activities.  
(iv) Non-economic activities.

**3. Classify the following as Business, Profession and Employment.**

- (i) A hawker sells toys for children near the park.
- (ii) Paramesh works as a manager in a mobile company.
- (iii) John is an advocate of high court.

**Ans.** (i) Business  
(ii) Employment  
(iii) Profession.

**4. Name of economic activity which requires and knowledge and skills. Briefly explain.**

**Ans.** (i) Profession includes those activities, which require special knowledge and skill to be applied by individuals in their occupation to earn fees.  
(ii) People engaged in Profession are known as professionals.  
(iii) **For Example :** Lawyer, Doctor, Chartered Accountant, etc.

**5. Name the activity which facilitates buying and selling. Explain briefly about it.**

**Ans.** (i) Business refers to those activities, which are connected with production, purchase and sale of goods or supply of services with the main object of earning profits.  
(ii) People engaged in business are called businessman. They earn income in the form of Profits.

**III. SHORT ANSWER QUESTIONS 3 MARKS**

**1. How can you differentiate business, profession and employment on the basis of :**

- (i) Nature of work                      (ii) Capital

**Ans. (i) Nature of Work :**

- (1) Business is concerned with production and sale of goods and services to people.
- (2) Profession is concerned with the rendering of specialised personal services to clients.
- (3) Employment is concerned with the performance of the work assigned by the employer.

**(ii) Capital :**

- (1) More capital is required for doing business.
- (2) But profession does not require much capital and employment does not require any capital.

**2. How can you classify the business activities on the basis of function?**

**Ans.** On the basis of function, the business activities are classified into two categories :

**(i) Industry :**

- (1) Industry includes all those business activities which are connected with raising, producing or processing of consumer goods.
- (2) **Example :** Bread, butter, cheese, shoes, or capital goods like machinery.

**(ii) Commerce :**

It establishes a link between the producers and consumers of goods and maintains a smooth and uninterrupted flow of goods from producer to consumers.

**3. Explain the concept of 'Business'.**

**Ans.** Business may be defined as “an activity involving regular production or purchase of goods and services for sale, transfer and exchange with an object of earning profit”.

The important characteristics of business are :

- (i) All business activities are mainly concerned with the transfer or exchange of goods and services for value to satisfy human wants.
- (ii) Business deals with goods and services.
- (iii) Exchange of goods and services should frequently take place.
- (iv) The Profit motive is an important distinguishing feature of Business.
- (v) Business has to meet the various types of risks and this may result in heavy loss and uncertainty of profits.

**IV. LONG ANSWER QUESTIONS 5 MARKS**

**1. How the business activities are classified? [BEQ]**

**Ans.** Business activities are classified on the basis of size, ownership and function.

**(i) Activities on the basis of size :**

On the basis of size, business activities may be broadly grouped into two categories.

**(1) Small Scale :**

Small scale units require less capital. They employ small number of workers and produce the goods on small scale.

**Example :** Manufacturing textiles in handlooms or power looms.

**(2) Large Scale :**

Large scale units require huge capital. They employ large number of workers and produce the goods on large scale.

**Examples :** Manufacturing Textiles in a large Textile mill. Example. Raymonds, Ramraj cotton.

**(ii) Activities on the Basis of Ownership :**

On the basis of ownership business activities may be broadly grouped into three categories.

**(1) Private Enterprises :**

An enterprise is said to be a private enterprise where it is owned, managed and controlled by persons other than Government.

(i) Sole proprietorship. Example - Sundar Stationeries.

(ii) Partnership firms. Example - Ramesh Bros.

**(2) Public Enterprises :**

(i) An enterprise is said to be a public enterprise where it is owned, managed and controlled by Government or any of its agencies or both.

(ii) Public enterprises may be organized in several forms such as,

- Departmental undertaking - Public Works Department (PWD)
- Public Corporation - Oil and Natural Gas Corporation (ONGC)
- Government Company - State Trading Corporation (STC)

**(3) Joint Enterprises :**

An enterprise is said to be a joint enterprise where it is owned, managed and controlled by Government and private entrepreneurs.

**Example :** Maruti Suzuki

**(iii) Activities on the Basis of Function :**

On the basis of functions, business activities may be broadly grouped into two categories.

**(1) Industry :**

Industry includes all those business activities which are connected with raising, producing or processing of consumer goods.

**Example :** Bread, butter, cheese, shoes, or capital goods like machinery.

**(2) Commerce :**

It establishes a link between the producers and consumers of goods and maintains a smooth and uninterrupted flow of goods from producers to consumers.

**2. What are the types of occupations? Briefly Explain about them.**

**Ans.** Occupations may be classified into three categories based on the following:

- (1) Employment
- (2) Profession
- (3) Business

**(1) Employment :**

- (a) It refers to the occupation in which people work for others and get remuneration in the form of wages or salaries.
- (b) The one who is employed by others are called employees and the one who employs others is called employer.
- (c) Managers, Clerks, Bank officials, Factory workers etc., are examples of employees.

**(2) Profession :**

- (a) Professions are those occupations which involve rendering of personal services of a special and expert nature.
- (b) A profession is something which is more than a job. It is a career for someone who is competent in their respective areas.
- (c) It includes professional activities which are subject to guidelines or codes of conduct laid down by professional bodies.
- (d) Those engaged in a profession are called professionals and they earn income by charging professional fee.

**(3) Business :**

Business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services.

## HOTS

### I. VERY SHORT ANSWER QUESTIONS

**2 MARKS**

**1. "Industry and commerce are interchangeable terms". Do you agree with this statement?**

**Ans.** No, I do not agree with the statement. Industry refers to the production of goods through utilisation of resources, where as commerce is concerned with buying, selling and distribution of commodities produced by the industry.

**2. "Risk is an essential element of a business." Do you agree? If yes, elaborate the statement with proper reason.**

**Ans.** Yes, risk is an essential element of inevitable feature of business. A business cannot run without the element of risk. When a businessman decides to produce or purchase goods and services, he anticipates future demand and calculate risk in advance as all the business activities are planned for future and the future is always uncertain.

### II. SHORT ANSWER QUESTIONS **3 MARKS**

**1. "Business is an institution organised and operated to provide goods and valuable services under the incentive of private gain." Discuss.**

**Ans.** "Business is an institution organised and operated to provide goods and services under the incentive of private gain."

This statement is correct in the following respect.

- (i) Business is an economic activity as it is undertaken with the main objective of earning profits. Profit is essential to cover costs and risks of the business. Every business must earn a reasonable profit to survive and grow.
- (ii) It involves sale, exchange and purchase of goods (sugar, pen, textbook, machinery, furniture, etc) and services (transportation, banking, insurance, etc) on a regular basis for mutual profit through the satisfaction of human wants.

Therefore, on one hand, it provides useful goods and services to the society, while, on the other, generate income for businessmen, by the way of profits.

**2. Tripti is a well-known cardiologist of her town, Identify the type of economic activity highlighted in the given case and state its characteristics also.**

**Ans.** It is an example of profession which is an economic activity.

The characteristics of profession as an economic activity are

- (i) Professionals render a specialised service based upon advanced and specialised knowledge and skill.
- (ii) It involves a confidential relationship between a practitioner and a client.
- (iii) It is bound by a distinctive ethical code.
- (iv) Professionals earn income by charging professional fees.



# CLASSIFICATION OF BUSINESS ACTIVITIES

## CHAPTER SNAPSHOT

- 3.01 Industry
- 3.02 Commerce
- 3.03 Trade

## EXERCISE

### I. CHOOSE THE CORRECT ANSWER.

1. The industries engaged in extraction of iron ore are known as

- (a) Construction Industries
- (b) Manufacturing Industries
- (c) Extraction Industries
- (d) Genetic Industries

[Ans. (c) Extraction Industries]

2. Auxiliaries to trade is also called as [BEQ] [QY-2018]

- (a) Trade
- (b) Advertisement
- (c) Warehousing
- (d) Aids to Trade

[Ans. (d) Aids to Trade]

3. Production which involves several stages for manufacturing finished product is known as

[HY-2018]

- (a) Analytical Industry
- (b) Synthetic Industry
- (c) Processing Industry
- (d) None of the above

[Ans. (c) Processing Industry]

4. Normally high level risk involved in [BEQ] [Sep-2020]  
[Govt. MQP-2018; First Mid-2018; QY-2018; 2019; HY-2019]

- (a) Industry
- (b) Commerce
- (c) Trade
- (d) All of the above

[Ans. (a) Industry]

5. Commerce is mainly concerned with

- (a) Connecting producer and consumer
- (b) Pricing of goods
- (c) Buying and Selling of goods
- (d) Manufacturing of goods

[Ans. (a) Connecting producer and consumer]

### II. VERY SHORT ANSWER QUESTIONS.

1. Define Commerce.

[BEQ] [HY-2018; Govt. MQP-2019; QY-2019]

Ans. According to **Evelyn Thomas** "Commercial operations deal with the buying and selling of goods, the exchange of commodities and the contribution of finished products".

2. What do mean by industry?

[First Mid-2018]

Ans. (i) Industry refers to economic activities, which are connected with the conversion of resources into useful goods.

(ii) The production side of business activity is referred as industry.

3. What is trade?

[BEQ]

Ans. (i) Trade is an essential part of commerce. The term 'Trade' is used to denote buying and selling.

(ii) It helps in making the goods produced available to ultimate consumers or users.

- (iii) Therefore, one who buys and sells is a trader. A trader is a middlemen between the producer and the consumer.

**4. Write a short note on transportation.**

- Ans. (i)** Selling all the goods produced at or near the production place is not possible.  
**(ii)** Hence, goods are to be sent to different places where they are demanded.  
**(iii)** The medium which moves men and materials from one place to another place is called transport.

**III. SHORT ANSWER QUESTIONS.**

**1. Distinguish between Extractive industries and genetic industries. [BEQ]**

S. No.	Extractive Industries	Genetic Industries
(1)	Extractive industries refer to those activities which are concerned with the extraction of production of wealth from air, water, soil, etc.	Genetic Industries refers to those activities which are undertaken for reproduction of plants and animals with object of making profit.
(2)	Agriculture, mining, fishing, forestry, hunting, fruit gathering, etc. are the examples for extractive industries.	Nurseries, raising seeding plants, cattle breeding, poultry forming, etc. are the examples of genetic industries.

**2. What do you mean by tertiary industries?**

- Ans. (i)** They do not produce any goods. [QY-2019]  
**(ii)** These industries produce utility services and sell them at a profit.  
**(iii)** They help trade, industry and commerce.  
**(iv)** This term also includes auxiliaries to trade like, banking, insurance, warehouse, advertisement etc.

**IV. LONG ANSWER QUESTIONS.**

**1. Explain the various kinds of industries on the basis of size.**

**Ans. (i) Micro Industries**

A Unit where in investment in plant and machinery is upto ₹ 25 lakhs in case of manufacturing and upto ₹ 10 lakhs in case of service enterprises.

**(ii) Small Industries**

A manufacturing unit wherein investment in plant and machinery is more than 25 lakhs but does not exceed ₹ 5 crore. In case of service enterprises these limits are ₹ 10 lakhs and ₹ 2 crore respectively

**(iii) Medium Industries**

A manufacturing unit wherein investment in plant and machinery is more than 5 crore but does not exceed ₹ 10 crore. In case of service enterprises these limits are ₹ 2 crore and ₹ 5 core respectively

**(iv) Large Industries**

A manufacturing unit wherein investment in plant and machinery is exceeds ₹ 10 core. In case of service unit investment in equipment exceeds ₹ 5 crore.

**2. Compare industry, commerce and trade.**

[BEQ] [First Mid-2018; QY-2018, 2019; HY-2018, 2019; Govt. MQP-2019]

**Ans.** Comparison between Industry, commerce and Trade

Basis	Industry	Commerce	Trade
<b>(1) Meaning</b>	The activities which deals with extraction, reproduction, conversion, processing and construction of useful products.	The activities involving distribution of goods and services.	It is related to Purchase and sale of goods and services.
<b>(2) Scope</b>	It consists of all activities involving conversion of materials and semi-finished products in to finished goods.	It comprises trade auxiliaries to trade.	It comprises exchange of goods and services.
<b>(3) Capital</b>	Generally large amount of capital is required.	Need for capital is comparatively less.	Small capital is needed to maintain stock and to grant credit.



<b>(4) Risk</b>	Risk involved is usually high.	Relatively less risk is involved.	Relatively less risk is involved.
<b>(5) Side</b>	It represents supply side of goods and services.	It represents demand side of goods and services.	It represents both supply and demand.
<b>(6) Utility Creation</b>	It creates form utility by changing the form or shape of materials.	It creates place utility by moving goods from producers to consumers.	It creates possession utility through exchange.

**3. Write short notes on :**

- (a) **Analytical Industry**
- (b) **Genetic Industry and**
- (c) **Construction Industry**

**Ans. (a) Analytical Industry :**

- (1) Analytical Industries refers to those manufacturing industries which produce many types of products by analysing and separating different elements from the same materials, as in the case of oil refinery industries,
- (2) In oil refining industry the same crude oil is analysed or separated in to different products like petrol, diesel, kerosene, lubricating oil, etc.

**(b) Genetic Industry :**

- (1) These Industries remain engaged in breeding plants and animals for their use in further production.
- (2) The seeds nursery companies, poultry, dairy, piggery, hatcheries, nursery, fisheries, apiary, etc. are classic examples of genetic industries.

**(c) Construction Industry :**

- (1) These Industries are involved in the construction of Buildings, Dams, Bridges, Roads, as well as tunnels and canals.
- (2) It uses the products of manufacturing industries especially cement, iron and steel.

**4. Briefly explain the auxiliaries to trade. [BEQ]**

**Ans.** The auxiliaries to trade includes Transportation, Banking, Insurance and Warehouse which are discussed below :

**(i) Trade :**

- (1) Trade is an essential part of commerce.
- (2) The term 'trade' is used to denote buying and selling.
- (3) It helps in making the goods produced available to ultimate consumers.
- (4) Trade may be classified into internal trade and external trade, wholesale trade or retail trade.

**(ii) Transportation :**

- (1) Selling all the goods produced at or near the production place is not possible.
- (2) Hence, goods are to be sent to different places where they are demanded.
- (3) The medium which moves men and materials from one place to another is called transport.

**(iii) Banking :**

- (1) Now a days we cannot think of business without bank. To start the business or to run it smoothly we require money.
- (2) Banks supply money. Business activities cannot be undertaken unless funds are available for acquiring assets, purchasing raw materials and meeting other expenses. Thus, banking helps business activities to overcome the problem of finance.

**(iv) Insurance :**

- (1) Business involves various types of risks. Factory building, machinery, furniture, etc. must be protected against fire, theft and other risks.
- (2) Materials and goods held in stock or in transit are subject to the risk of loss or damage.
- (3) Insurance provides protection in all such cases. 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.

**(v) Warehousing :**

- (1) Usually goods are not sold or consumed immediately after production.
- (2) They are held in stock to make them available as and when required.
- (3) Special arrangements must be made for storage of goods or prevent loss or damage.
- (4) Warehousing helps business firms to overcome the problem of storage and facilitate the availability of goods when required.

## GOVERNMENT EXAM QUESTIONS & ANSWERS

### I. CHOOSE THE CORRECT ANSWER

1 MARK

#### (i) POINT OUT THE WRONG STATEMENT IN THE FOLLOWING:

1. [BEQ] [Govt. MQP-2018]
- Extractive industries extract products from natural resources
  - Genetic industries engaged in breeding plants and animals for their use in further reproduction
  - Manufacturing industries are engaged in producing goods through processing of raw material
  - Construction industries are involved in the successive stages for manufacturing sugar and paper, etc.

[Ans. (d) Construction industries are involved in the successive stages for manufacturing sugar and paper, etc.]

### II. VERY SHORT ANSWER QUESTIONS

2 MARKS

1. **Kumar owns a cattle breeding farm in Namakkal.**
- Is this an example of extractive industry?
  - Give the meaning of such industry.

[BEQ] [Govt. MQP-2018]

- Ans. (i)** No. Cattle breeding is an example for genetic industries.
- (ii)** Genetic industries remain engaged in breeding plants and animals for their use in further reproduction.

2. **Siva is a fisherman in Rameshwaram and owns five fishing vessels. Identify the form of industry in which he operates. Give the meaning of it.**

[BEQ] [Govt. MQP-2018]

**Ans.** The form of industry is Extractive Industries.

**Meanings :**

Industries, which are engaged in the supply of commodities extracted from the earth, are called extractive industries

### III. SHORT ANSWER QUESTIONS 3 MARKS

1. **Name the industry which is concerned with the production of goods with the help of the nature. Explain any two types of such industries.**

**Ans. Primary Industries :** [BEQ] [Govt. MQP-2018] [Mar. 19]  
Primary industry is concerned with production of goods with the help of nature. 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. Important extractive industries include farming, mining, oil drilling, hunting and fishing operations.

#### (ii) Genetic Industries :

These industries remain engaged in breeding plants and animals for their use in further reproduction. The seeds, nursery companies, poultry, dairy, piggery, hatcheries, nursery, fisheries, apiary etc are classic examples of genetic industries.

### 2. Write any three characteristics of commerce.

#### Ans. (i) Economic activities :

[QY-2018, 2019; HY-2018]

All economic activities are undertaken to earn a profit Commerce deals with all economic activities undertaken for profit.

#### (ii) Exchange of goods and services :

Commerce involves an exchange of goods and services for profit. Goods may be produced for the purpose of resale to the customers.

#### (iii) Earning Motive :

Profit is an incentive for undertaking all commercial activities. Any activity, which does not have the incentive of profit, will not be a part of commerce.

### IV. LONG ANSWER QUESTIONS 5 MARKS

1. **Activities involving distribution of goods and services is called commerce whereas purchase and sale of goods and services is called trade. Tabulate the other differences between the two?**

[BEQ] [Govt. MQP-2018]

**Ans.**

Sl. No.	COMMERCE	TRADE
<b>Scope :</b>		
1.	Comprises trade auxiliaries to trade	Comprises exchange of goods and services

Capital :		
2.	Need for capital is comparatively less	Small capital is needed to maintain stock and to grant credit
Risk :		
3.	Relatively less risk is involved	Relatively less risk is involved

Side :		
4.	It represents demand side of goods and services	It represents both supply and demand
Utility creation :		
5.	It creates place utility by moving goods from producers to consumers	It creates possession utility through exchange

## ADDITIONAL QUESTIONS & ANSWERS

### I. CHOOSE THE CORRECT ANSWER

1 MARK

#### (i) CHOOSE THE CORRECT OPTION.

1. Industries which are engaged in construction of dams, bridges, roads, etc. are called as [BEQ]

- (a) Construction Industries
- (b) Genetic Industries
- (c) Manufacturing Industries
- (d) Extractive Industries

[Ans. (a) Construction Industries]

2. The industries which provide support services to other industries are known as

- (a) Primary Industry
- (b) Secondary Industry
- (c) Commercial Industry
- (d) Tertiary Industry

[Ans. (d) Tertiary Industry]

3. The production side of business activity is referred as

- (a) business
- (b) trade
- (c) industry
- (d) commerce

[Ans. (c) industry]

4. Textiles and vehicles are classified under

- (a) genetic industries
- (b) extractive industries
- (c) constructive industries
- (d) assembling industries

[Ans. (a) genetic industries]

5. Hunting, fishing, mining are classified under

- (a) genetic industries
- (b) extractive industries
- (c) manufacturing industries
- (d) assembling industries

[Ans. (b) extractive industries]

6. Fishery & Piggery come under

- (a) assembling industries
- (b) construction industries
- (c) genetic industries
- (d) continuous industries

[Ans. (b) construction industries]

7. Specialised services have to be rendered by persons like lawyers, Engineers etc is called [BEQ]

- (a) business
- (b) industry
- (c) employment
- (d) profession

[Ans. (d) profession]

(ii) MATCH LIST I WITH LIST II AND SELECT THE CORRECT ANSWER USING THE CODES GIVEN BELOW.

	List I		List II
(i)	Analytical Industry	(1)	Sugar and paper
(ii)	Synthetic Industry	(2)	Television
(iii)	Processing Industry	(3)	Cement
(iv)	Assembling Industry	(4)	Oil refinery

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	2	3	4	1
(d)	3	4	2	1

[Ans. (b) (i) - 4, (ii) - 3, (iii) - 1, (iv) - 2]

(iii) CHOOSE THE CORRECT OPTION AND FILL IN THE BLANKS.

1. Business activities can be classified into \_\_\_\_\_ categories.

- (a) two
  - (b) three
  - (c) four
  - (d) five
- [Ans. (a) two]

2. \_\_\_\_\_ industry is concerned with production of goods with the help of nature.

- (a) Primary (b) Secondary  
(c) Genetic (d) Tertiary

[Ans. (a) Primary]

3. \_\_\_\_\_ industries extract to draw out products from natural sources.

- (a) Extractive (b) Genetic  
(c) Analytical (d) Synthetical

[Ans. (a) Extractive]

4. \_\_\_\_\_ is an essential part of commerce.

- (a) Insurance (b) Banking  
(c) Trade (d) Transportation

[Ans. (c) Trade]

5. Warehouse facilities create \_\_\_\_\_ utility.

- (a) service (b) place  
(c) time (d) form [Ans. (c) time]

(iv) PICK THE ODD ONE OUT.

1. (a) Analytical Industries (b) Micro Industries  
(c) Small Industries (d) Large Industries

[Ans. (a) Analytical industries]

Reason :

(i) Analytical Industry which analyses and separates different elements from the same materials, as in the case of oil refinery.

(ii) Other three industries are classifications on the basis of size.

2. (a) Trade (b) Profession  
(c) Banking (d) Transportation

[Ans. (b) Profession]

Reason :

(i) A profession is something which is more than a job.

(ii) Other three are commerce related activities.

(v) WHICH ONE OF THE FOLLOWING IS CORRECTLY MATCHED?

1. (a) Trade - Place hindrance  
(b) Transport - Hindrance of person  
(c) Communication - Hindrance of time  
(d) Banking - Financial institutions

[Ans. (d) Banking - Financial institutions]

(vi) WHICH ONE OF THE FOLLOWING IS NOT CORRECTLY MATCHED?

1. (a) Personalised service - Plumber  
(b) Public service - Salesmanship  
(c) Distributive service - Warehousing  
(d) Quinary service - Inventors

[Ans. (b) Public service - Salesmanship]

(vii) CONSIDER THE FOLLOWING STATEMENT.

1. Assertion (A) : Selling all the goods produced out or near the production place is not possible.

Reason (R) : The medium which moves men and materials from one place to another is called transport.

Select the correct answer.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)  
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)  
(c) (A) is true, but (R) is false  
(d) (A) is false, but (R) is true

[Ans. (a) Both (A) and (R) are true and (R) is the correct explanation of (A)]

2. Assertion (A) : Insurance provides protection in all such cases.

Reason (R) : Trade helps business firms to overcome the problem of storage and facilitates the availability of goods when needed.

Select the correct answer.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)  
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)  
(c) (A) is true, but (R) is false  
(d) (A) is false, but (R) is true

[Ans. (c) (A) is true, but (R) is false]

(viii) CHOOSE THE CORRECT STATEMENT

1. I) Traders act as an intermediary between producers and consumers.

II) The buyers and sellers need the services of various agencies for communicating their message among themselves.

III) The insurance companies provide the coverage for all types of losses of goods.

- (a) (I) is correct
- (b) (II) is correct
- (c) (I), (II) and (III) are correct
- (d) (III) is correct

[Ans. (c) (I), (II) and (III) are correct]

**2. The feature of tertiary industries are**

- I) Quaternary service
  - II) Public service
  - III) Banking service
  - IV) Distributive service
- (a) I and II
  - (b) II and IV
  - (c) I, II and IV
  - (d) II and III

[Ans. (c) I, II and IV]

**(ix) POINT OUT THE WRONG STATEMENT IN THE FOLLOWING:**

1. (a) The production side of business activity is referred as industry.
- (b) Primary industry is concerned with production of goods with the help of nature.
- (c) Extractive industries extract or drawout products from natural sources.
- (d) Primary industries process such materials to produce goods for final consumption or for further processing by other industrial units.

[Ans. (d) Primary industries process such materials to produce goods for final consumption or for further processing by other industrial units.]

**II. VERY SHORT ANSWER QUESTIONS**

**2 MARKS**

**1. List the auxiliaries to trade.**

- Ans. (i) Transport                      (ii) Banking
- (iii) Insurance                      (iv) Warehouse

**2. What is Primary industry?**

- Ans. (i) Primary Industry is concerned with the Production of goods with the help of nature.
- (ii) It is a nature - oriented industry, which requires very little human effort.
- (iii) **For Example :** Agriculture, farming, forestry, fishing, horticulture, etc.

**III. SHORT ANSWER QUESTIONS. 3 MARKS**

**1. Narrate commerce with an example. [BEQ]**

- Ans. (i) Commerce refers to all those activities which are necessary for bringing goods from the place of production to the place of their consumption.
- (ii) According to Evelyn Thomas "Commercial Operations deal with the buying and selling of goods, the exchange of commodities and the contribution of finished products".
- (iii) Commerce includes not only trade but also services such as transport, warehousing, packaging, insurance, banking and sales promotion which are incidental or auxiliaries to trade.

**IV. LONG ANSWER QUESTIONS 5 MARKS**

**1. What are the classification of tertiary industries?**

- Ans. (i) **Personalised service :**  
Individuals and private institutions selling their services to others. **Eg.** plumber, servant maid, etc.
- (ii) **Public service :**  
Government hospitals, schools, police, government offices, etc., provide services to the people on behalf of the government without profit motive.
- (iii) **Distributive service :**  
Transportation, warehousing logistics, salesmanship, etc., come under this type of service.
- (iv) **Financial service :**  
Banking, factoring, accounting and insurance, etc., are grouped under this type of service.
- (v) **Quaternary service :**
- (1) Professional or specialised skills and high technology are used to provide this type of service.
  - (2) **Eg :** Software development, Auditing, Research and Development, etc.
- (vi) **Quinary Service :**
- (1) New ideas are generated, new technologies are evolved, new policies are implemented by selected individual experts.
  - (2) Their decisions influence nations, international institutions etc. i.e. Inventors.



# UNIT II FORMS OF BUSINESS ORGANISATION

## CHAPTER

# 4

## SOLE PROPRIETORSHIP

### CHAPTER SNAPSHOT

- 4.01 Introduction
- 4.02 Definition of Sole Trader
- 4.03 Characteristics
- 4.04 Advantages and Disadvantages

### EXERCISE

#### I. CHOOSE THE CORRECT ANSWER.

1. Which is the oldest form of Business organisation?

[BEQ] [QY-2018; Mar. 19; HY-2019]

- (a) Sole Proprietorship (b) Partnership
- (c) Co-operative Society (d) Company

[Ans. (a) Sole Proprietorship]

2. In which form the owner, establisher and manager is only one?

- (a) Joint Enterprise
- (b) Government Company
- (c) Co-operative Society
- (d) Sole Proprietor

[Ans. (d) Sole Proprietor]

3. A major disadvantage of sole proprietorship is \_\_\_\_\_.

[QY-2019; Mar-2020]

- (a) Limited liability (b) Unlimited liability
- (c) Easy Formation (d) Quick decision

[Ans. (b) Unlimited liability]

4. From the following which one is Non-corporate form of business?

[HY-2018]

- (a) Joint stock company
- (b) Sole trading business
- (c) Government company
- (d) Co-operatives [Ans. (b) Sole trading business]

#### II. VERY SHORT ANSWER QUESTIONS.

1. Who is called a Sole Trader?

[BEQ]

Ans. The person who invests capital and manages the business himself is called as sole trader or sole proprietor.

**2. What are the Non-corporate enterprises?** [Sep-2020]

**Ans. (i)** In a non-corporate form, the enterprise and its owners are considered as having the same entity i.e., the ownership and business are not separated.

**(ii)** Non-corporate business may be organised either as a sole proprietorship or as a partnership or as a joint hindu family business.

**3. What are the Corporate enterprises?**

**Ans.** In the corporate form, the legal entity of enterprise is distinct form that of its owners. i.e., the ownership is separated form its management and the owners cannot take direct control over the business.

**4. For which of the following types of business do you think a sole proprietorship form of organisation would be more suitable, and why?**

[BEQ] [First Mid-2018]

- |                   |                       |
|-------------------|-----------------------|
| (a) Grocery store | (b) Medical store     |
| (c) Craft centre  | (d) Legal consultancy |
| (e) Internet cafe |                       |

**Ans.** Sole proprietorship form of business organisation will be more suitable for grocery store, medical store, craft centre and internet cafe because these business require less capital and limited managerial talent. These business also require personalised services and risk is low in these business.

**III. SHORT ANSWER QUESTIONS.**

**1. How is it possible to maintain secrecy in sole proprietorship?** [BEQ]

**Ans. (i)** The maintenance of utmost secrecy is of vital importance for the business of a business.

**(ii)** A sole trade can maintain business secrets.

**(iii)** Being the sole proprietor, he is not expected to share his trade secrets with anybody else.

**(iv)** In this form of organisation, there is also no need to disclose accounts or any other material facts to the public.

**2. What is unlimited liability?** [Mar. 19]

**Ans. (i)** The liability of the proprietor for the debts of the business is unlimited.

**(ii)** The creditors have the right to recover their dues even from the personal property of the proprietor incase the business assets are not sufficient to pay their debts.

**(iii)** This is known as unlimited liability.

**3. Write any three characteristics of Sole Proprietorship.** [BEQ] [QY-2018; HY-2018; Mar-2020]

**Ans. (i) Ownership by one man :**

This is owned by single person. The sole trader contributes the required capital. He is not only the owner of the business but also manager of the entire affairs.

**(ii) Freedom of work and Quick Decisions :**

Since the individual is himself as a owner, he need not consult anybody else. Hence he can take quick decisions.

**(iii) Unlimited Liability :**

When his business assets are not sufficient to pay off the business debts he has to pay from his personal property.

**4. Give some examples of sole trading business.**

[QY-2019]

- |                              |                            |
|------------------------------|----------------------------|
| <b>Ans. (i)</b> Handicrafts  | <b>(ii)</b> Filigree work  |
| <b>(iii)</b> Tailoring shops | <b>(iv)</b> Beauty parlour |
| <b>(v)</b> Retail trade      | <b>(vi)</b> Fruit sellers  |

**5. Define Sole trading business.** [Govt. MQP-2018]

**Ans.** According to Wheeler, "Sole proprietorship is that form of business organisation which is owned and controlled by a single individual. He receives all the profits and risks all of his property in the success or failure of the enterprise".

**IV. LONG ANSWER QUESTIONS.**

**1. Explain the characteristics of Sole trading business.** [BEQ] [Govt. MQP-2018; June-2019; QY-2019]

**Ans. (i) Ownership by one Man :** [Sep-2020]

This is owned by single person. The sole trader contributes the required capital.

**(ii) Freedom of work and Quick Decisions :**

Since the individual is himself as a owner, he need not consult anybody else. Hence he can take quick decisions.

**(iii) Unlimited Liability**

When his business assets are not sufficient to pay off the business debts he has to pay from his personal property.

**(iv) Enjoying Entire Profit :**

He strives tirelessly for the improvement and expansion of his business and enjoys all the benefits of his hard work.

**(v) Absence of Government Regulation :**

No legal formalities are to be observed in its formation, management or in its closure.

**(vi) No Separate Entity :**

The sole trading concern comes to an end with death, disability, insanity and insolvency of the individual.

**(vii) Maintenance of Secrecy :**

Since he/she manages all the affairs of the business, the secrecy can be maintained easily.

**2. What are the advantages of Sole trading business?**

[BEQ] [QY-2018; Mar-2020]

**Ans.** The following are the advantages of a Sole trader :

- (i) **Easy Formation :**  
No legal formalities are required to initiate a sole trading concern.
- (ii) **Incentive to Work hard :**
  - (1) There is a direct relationship between effort and reward.
  - (2) The fact that the entire profit can be taken by himself without sharing with anybody else induces him to work ceaselessly.
- (iii) **Small Capital :**
  - (1) Small capital is an important as well as specific advantage of sole proprietorship.
  - (2) Sole proprietor can start business with small capital.
- (iv) **Credit Standing :**  
Since his private properties are held liable for satisfying business debts, he can get more financial assistance from others.
- (v) **Personal Contact with the Customers :**  
Since sole proprietor knows each and every customer individually he can supply goods according to their taste and preferences.
- (vi) **Flexibility :**  
The sole trader can easily adjust himself to the changing requirements of his business.

**3. What are the disadvantages of Sole trading business?**

[BEQ]

**Ans.** The following are the disadvantages of a Sole trader :

- (i) **Limited Capital :**  
Since the capital is contributed by one individual only, business operations have necessarily to be on a limited scale.
- (ii) **Limited Managerial Skill :**
  - (1) Single person's intelligence and experience may not help him beyond a certain stage.
  - (2) Since he has to focus on each and every activity, his managerial ability is bound to be limited.
- (iii) **Unlimited Liability :**  
The creditors have the right to recover their dues even from the personal property of the proprietor in case the business assets are not sufficient to pay their debts.
- (iv) **Lack of Specialisation :**  
Since the business unit is small and the financial resources are limited, experts in different fields cannot be employed to secure maximum advantages.
- (v) **Hasty Decisions :**  
Sole proprietor is more likely to take hasty decision as he need not consult anybody else.

## GOVERNMENT EXAM QUESTIONS & ANSWERS

### I. CHOOSE THE CORRECT ANSWER

**1 MARK**

#### (i) CHOOSE THE CORRECT OPTION.

1. From the following which one is non-corporate enterprise? [BEQ] [Govt. MQP-2018]
- (a) Joint Stock Company
  - (b) Sole Trading Business
  - (c) Government Company
  - (d) Cooperatives [Ans. (b) Sole Trading Business]

### II. VERY SHORT ANSWER QUESTIONS

**2 MARKS**

1. The business assets of an organisation amounts to Rs. 1,00,000 but the debts that remain unpaid Rs. 1,40,000. Name the liability and what course of action can be taken by the creditor if:

[BEQ] [Govt. MQP-2018]

- (I) The organisation is a sole proprietorship business.

- (II) The organisation is a partnership firm with A and B as partners with equal shares.

**Ans. (I)** The organisation is a sole proprietorship business is unlimited. When his business assets are not sufficient to pay off the business debts he has to pay from his personal property.

- (II) Limited liability

2. Name the type of organisation in which there are no legal formalities required to start? State its meaning. [BEQ] [Govt. MQP-2018]

**Ans.** No legal formalities are required to initiate a sole trading concern.

#### Meaning :

Sole Proprietorship is a form of business organisation in which an individual introduces his own capital, uses his own skill and intelligence in the management of its affairs and is solely responsible for the results of its operations. It is also known as individual entrepreneurship.



### III. SHORT ANSWER QUESTIONS 3 MARKS

1. Govind started a business on his own. His father helped him with the accounts and his brother looked after customers in the evening. He pays monthly salary to his father and brother. Identify the form of business and mention any two disadvantages of it. [Mar. 19]

**Ans.** Sole Proprietorship form of organisation.

(i) **Limited Capital**

Since the Capital is contributed by one individual only, business operations have necessarily to be on a limited scale

(ii) **Unlimited liability**

The creditors have the right to recover their dues even from the personal property of the proprietor in case the business assets are not sufficient to pay their debts.

2. Sudhakar belongs to a middle class family. In order to increase his family income, he wants to start a provisional store. As per your judgement, which form of organisation would be best suited for him? Explain any two advantages of it.

[BEQ] [Govt. MQP-2018]

**Ans.** Sole proprietorship form of organisation would be best suited for him.

**Advantages**

(i) **Easy Formation**

No legal formalities are required to initiate a sole trading concern. Any person capable of entering into a contract can start it, provided he has the necessary resources for it.

(ii) **Incentive to Work hard**

There is a direct relationship between effort and reward. The fact that the entire profit can be taken by himself without sharing with anybody else induces him to work ceaselessly.

## ADDITIONAL QUESTIONS & ANSWERS

### I. CHOOSE THE CORRECT ANSWER

1 MARK

(i) **CHOOSE THE CORRECT OPTION.**

1. Sole trading business can be started by

- (a) at least two persons (b) at least three persons  
(c) at least seven persons (d) any one person

[Ans. (d) any one person]

2. Sole Proprietorship is suitable for

- (a) Large scale concerns  
(b) Medium scale concerns  
(c) Small scale concerns  
(d) None of the above

[Ans. (c) Small scale concerns]

3. A sole trader

- (a) cannot keep his business secrets  
(b) can keep his business secrets  
(c) both  
(d) none of the above

[Ans. (b) can keep his business secrets]

4. A sole trader concern is owned by an

- (a) partner (b) individual  
(c) organisation (d) society

[Ans. (b) individual]

5. The business organisation which runs on the principle "All is he and he is all in all" is

- (a) Sole trading concern  
(b) Co-operative society  
(c) Joint Hindu Family  
(d) Partnership

[Ans. (a) Sole trading concern]

### (ii) MATCH LIST I WITH LIST II AND SELECT THE CORRECT ANSWER USING THE CODES GIVEN BELOW.

	List I		List II
1.	(i) Corporate enterprises	(1)	Bombay stock exchange
	(ii) Non-corporate enterprises	(2)	US \$ 6 billion
	(iii) Murugappa group	(3)	Sole trading concern
	(iv) TVS group	(4)	Joint stock companies

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	4	3	1	2
(b)	1	2	3	4
(c)	2	3	4	1
(d)	3	2	1	4

[Ans. (a) (i) - 4, (ii) - 3, (iii) - 1, (iv) - 2]

### (iii) CHOOSE THE CORRECT OPTION AND FILL IN THE BLANKS.

1. \_\_\_\_\_ is owned by Single person

- (a) Sole proprietorship (b) Joint Hindu Family  
(c) Public Company (d) Private Company

[Ans. (a) Sole proprietorship]

2. A Sole proprietor concern is free from \_\_\_\_\_ regulation.

- (a) Private (b) Government  
(c) Indian Contract Act (d) Indian Law

[Ans. (b) Government]

3. \_\_\_\_\_ is an Important as well as Specific Advantage of sole proprietorship.

- (a) Easy formation  
(b) Incentive to work hard  
(c) Small capital  
(d) Flexibility

[Ans. (c) Small capital]

4. There is a limit to \_\_\_\_\_ ability of a sole trader.

- (a) managerial (b) worker  
(c) owner (d) none of these

[Ans. (a) managerial]

5. The sold Trader is entitled to enjoy all \_\_\_\_\_ of the Business.

- (a) income (b) profit  
(c) loss (d) none of these

[Ans. (b) profit]

(iv) PICK THE ODD ONE OUT.

1. (a) Sole trading concern  
(b) Partnership firms  
(c) Joint Hindu family business  
(d) Government company

[Ans. (d) Government company]

Reason :

- (i) Government companies are owned and managed by the central or the state government.  
(ii) Other three are Non-corporate enterprises.

(v) CONSIDER THE FOLLOWING STATEMENT.

1. Assertion (A) : Small capital is an important as well as specific advantage of sole proprietorship.

Reason (R) : The sole trader can easily adjust himself to the changing requirements of his business.

Select the correct answer.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)  
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)  
(c) (A) is true, but (R) is false  
(d) (A) is false, but (R) is true

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

2. Assertion (A) : Any business unit which is owned and controlled by a single individual is known as a sole trading concern.

Reason (R) : The sole trader makes all purchases and sells on his own and maintains all the account.

Select the correct answer.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)  
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)  
(c) (A) is true, but (R) is false  
(d) (A) is false, but (R) is true

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

(vi) CHOOSE THE CORRECT STATEMENT

1. I) Sole proprietor can start business with small capital.  
II) No legal formalities are required to initiate a sole trading concern.  
III) A sole proprietor concern is free from government regulations.  
(a) (I) is correct  
(b) (II) is correct  
(c) (I) and (II) are correct  
(d) (I), (II) and (III) are correct

[Ans. (d) (I), (II) and (III) are correct]

2. The advantages of sole traders are

- I) Easy formation  
II) Small capital  
III) Unlimited liability  
IV) Legal formality  
(a) I and II (b) I and III  
(c) III and IV (d) II and III

[Ans. (a) I and II]

3. The feature of sole traders are

- I) Ownership by one man  
II) Separate entity  
III) Limited liability  
IV) Quick decisions  
(a) I and II (b) I and IV  
(c) III and IV (d) I and III

[Ans. (b) I and IV]

(vii) POINT OUT THE WRONG STATEMENT IN THE FOLLOWING:

1. (a) Every business undertaking is a separate and distinct business unit.  
(b) Sole proprietorship is also known as individual entrepreneurship.  
(c) The sole trader contributes the required capital.  
(d) Legal formalities are required to initiate a sole trading concern.

[Ans. (d) Legal formalities are required to initiate a sole trading concern.]

## II. VERY SHORT ANSWER QUESTIONS.

**2 MARKS**

1. State the various kinds of Non-corporate enterprises.

**Ans.** The various kinds of non-corporate enterprises are :

- (i) Sole Proprietorship
- (ii) Partnership
- (iii) Joint Hindu Family Business

2. How does a sole trader business enterprise help provide self-employment?

**Ans.** (i) Sole Proprietorship provides self-employment opportunity to many persons with small resources.

(ii) It offers a way of life for securing the means of livelihood to those who do not want to serve under others.

(iii) It makes people self dependent by providing self-employment.

3. Why do sole traders lose the economies of large scale production?

**Ans.** Because of limited capital and skill, the sole traders have to work on a small scale basis. thus he is deprived of economics of large scale operation.

## III. SHORT ANSWER QUESTIONS **3 MARKS**

1. Can a sole trader business enterprise obtain the benefits of specialisation?

**Ans.** (i) The sole trader has to undertake all the work relating to business himself such as buying, selling, accounting, financing, advertising etc.

(ii) It would be difficult to avail the services of experts in his business because of small resources.

(iii) So, the benefits of division of labour and specialisation cannot be obtained in this type of business.

2. Write about 'flexibility' in the business management of a sole trader. Think and explain.

**Ans.** (i) It is a highly flexible type of organisation.

(ii) A sole proprietorship concern is generally run on a small scale basis.

(iii) A change in operation is possible without involving much expenditure.

(iv) The proprietor can adapt and adjust to the changing trends and market conditions because the sole trader is the sole owner of his business.

## HOTS

### I. VERY SHORT ANSWER QUESTIONS

**2 MARKS**

1. Why is it said that sole proprietor is a sole risk bearer and profit recipient?

**Ans.** A sole trading concern is owned by an individual. The sole trader takes all decisions and manages and controls the affairs of business. He provides his own capital to the business. Thus, he is entitled to receive all profits and has to bear risks of the business.

### II. SHORT ANSWER QUESTIONS **3 MARKS**

1. Name the business which are suitable to sole proprietorship form of organisation.

**Ans.** Sole proprietorship is suitable for the following business.

(i) It is the most suitable form for small business such as local grocery shop and small-scale retailers selling clothes, shoes etc.

(ii) This form is suitable for business which are required to give personal attention to the needs of the customers, such as beauty parlours, boutiques etc.

(iii) This form is suitable for business in which quick decision making is required, as in the case of stock broking business.

(iv) It is suitable for professionals such as doctors, lawyers etc.

2. Vani, who was a teacher, is not able to continue her job because of nuclear family problems. She has to look after her children so, she decided that she would do something from her home. She decided to start a water purifier servicing centre. This will only require one room as office and employ few boys for service providing.

(i) Which type of business activity does she want to start?

(ii) Which form of business organisation would be suitable for her?

(iii) What values are taken care of by Vani?

**Ans.** (i) Services

(ii) Sole proprietorship

(iii) Value fulfilled by Vani are

(a) Employment generation

(b) Self employment, leading to contribution towards national income.

