



# Delhi Public School Guwahati

"Under the aegis of the Delhi Public School Society, Delhi"

Cycle 2

24<sup>th</sup> May to 4<sup>th</sup> June, 2021 (09 Working Days)

Chapter 1-Business, Trade and Commerce

**Business** is classified into **Industry** and **Commerce** on the basis of Function

## Classification of Industry

**1. Primary Industry** includes industries concerned with **extraction of resources from nature and reproduction of living species**

- **Extractive Industries** involves **extraction of natural resources like mining fishing, lumbering**
- **Genetic Industries** are involved in **the rearing and breeding of living species like dairy farming, poultry farming, horticulture, pisciculture**

**2. Secondary Industries** make use of products from primary industries to produce finished products

## Types of Secondary Industries

**A. Manufacturing Industries** are engaged in conversion of **raw materials to semi-finished or finished goods**

**Manufacturing Industries** produce **consumer goods** or **industrial goods**.

- **Analytical Industries** are involved in **breaking basic raw material into different parts that are finished products like diesel, petroleum, gasoline etc from fossil fuels**
- **Synthetic Industries** mix two or more **raw materials** to make a **new finished products like paints, soaps, cosmetics**
- **Processing Industries** are involved in processing the **raw material** through different **stages of production like sugar, iron and steel**
- **Assembly Industries** engage in **combining various finished products** to form a **new finished product like computer, television, watches**

**B. Construction Industry** are into making **bridges, dams, roads etc** and these **cannot be shifted, instead remain fixed in one location**

**C. Tertiary or Service Industry** engages in provision of **services which support primary and secondary industries**

- **Banking**
- **Advertising**
- **Warehousing**
- **Transportation**
- **Insurance**

**Commerce** includes the activities which facilitate distribution of goods to the ultimate customer

### Classification of Commerce

**A. Trade** refers to buying and selling of goods and services

- It includes **internal** and **external trade**
- **Internal** trade includes **wholesale** and **retail trade**
- **External** trade includes **import, export** and **entreport**

**B. Aids or Auxiliaries to Trade**

- **Transportation** refers to movement of goods of services from one place to another between manufacturer and ultimate customer
- **Banking** provides credit and finance for smooth functioning of business
- **Advertising** helps to spread awareness about products among target customers
- **Warehousing** provide safety and storage facility to products till they are ready for sale
- **Insurance** provides protection from risks to business

### Functions or Role of Commerce

*Commerce helps in removing the following hindrances or obstacles for business*

- It removes the **hindrance of persons** by linking produces with customers
- It removes the **hindrance of place** by filling the gap between produces and customers through transportation
- It removes the **hindrance of time** by making goods available whenever they are required through warehousing
- It removes the **hindrance of exchange** through a common medium of exchange through banking
- It removes the **hindrance of risk** through insurance
- It removes the **hindrance of knowledge** by spreading awareness about products through advertising

### Multiple Objectives of Business :

**Market standing:** Every business strives to have a higher and better market ranking in terms of the competitors they have in their industry.

**Innovation:** Each business strives to offer something new, whether in the form of a product or service, or a process, or a packaging.

**Productivity:** Every business strives to move towards higher and efficient productivity levels.

**Physical and financial resources:** Each business strives to acquire the best quality resources at cheapest price and also use the resources efficiently.

**Earning profits:** Each business strives to earn profits to help them grow and compete in the market.

**Manager performance and development:** Managers play a pivotal role in the organisation's performance and so the business must ensure they create room for training, development and growth of their managers to keep them motivated.

**Worker performance and attitude:** Motivated employees with a positive attitude will contribute to the best of their potential for the goals of the organisation. So the business must ensure they keep their employees happy and satisfied.

**Social responsibility:** Every business has a social obligation towards the society in resolving social issues and contributing in the welfare of the society

**Business Risk** refers to the possibility of **losses or inadequate profits** that are **not within the control of the business**

### **Nature of Business**

- Business risk arises due to presence of uncertainties in business
- Risk is an inherent part of all business
- Degree of risk varies with nature and size of business
- Profit of the reward for undertaking risk

### **Causes of Business Risk**

- **Natural Causes** like earthquake, tsunami, drought, floods
- **Human Causes** like dishonesty, fraud, negligence of employees
- **Economic Causes** like change in market conditions, taste and preferences of customers, price change, and change in demand
- **Other Causes like** unforeseen events, like political disturbances, mechanical failures, such as the bursting of boiler, fluctuations in exchange rates, etc.

### **Factors that need to be considered before starting a business :**

Selection of line business

Size of the firm

Choice of form of ownership

Location of business enterprise

Financing the proposition

Physical facilities

Plant layout

Competent and committed worked force

Tax planning

Launching the enterprise

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### **Question and Answers:**

1. Define Primary Industry. Give example.
2. Define the types of Primary Industries with the help of examples.
3. Define Secondary Industry with example.
4. Define Construction Industry with example.
5. Define Manufacturing industry and its types with examples.
6. Define commerce and its classification into trade and commerce.
7. 'Commerce helps in removing the following hindrances or obstacles for business'. Justify the given statement. (6 points)
8. Discuss the multiple objectives of business.
9. Define business risk and discuss its nature.
10. Discuss the various causes of business risk with examples.
11. Discuss the factors that need to be considered before starting a business.