

**Short Questions for NCERT Business Studies Solutions Class 11 Chapter 1****1. List any five major commercial cities of ancient India?**

Commercial cities of Ancient India are:

1. Pataliputra
2. Taxila
3. Indraprastha
4. Mohenjodaro
5. Mathura

**2. What is Hundi?**

Hundi is a financial instrument that was developed in Medieval India to carry out transactions related to trade and credit. It is an unconditional order in writing made by a person directing another to pay a certain sum of money to a person named in the order. It is capable of being changed through transfer by valid negotiation.

**3. List the major exports and imports in ancient India.**

Exports items of India are -spices, wheat, sugar, indigo, opium, cotton, parrot, sesame oil, live animals and animal products such as hides, skin, horns, furs, tortoise shells, sapphires, pearls, quartz, crystal, lapis, granites, lazuli, turquoise and copper etc.

Imports items consisted of horses, animal products, Chinese silk, flax and linen, wine, glass, gold, silver, tin, lead, copper, rubies, coral, amber, etc.

**4. What were the different types of Hundi in use by traders in ancient times?**

Types of hundi are:

1. Shah Jog Hundi: Payable to a respectable man
2. Jokhmi Hundi: It is a type of hundi which is applicable on goods transported by ship
3. Nam Jog Hundi: Payable to the named party or his order

4. Dhani Hundi: Payable to owner of hundi
5. Jawabi Hundi: A type of hundi that resembles a money order.
6. Darshani Hundi: Payable on sight
7. Miadi Hundi or Muddati Hundi: Hundi that is payable after a specified period of time.

**5. What do you understand by maritime trade?**

A kind of trade that involves transportation of goods through sea using ships as the primary medium is called maritime trade. There are specific regulations for this kind of trade as there is risk involved in transporting goods through sea.

**6. State the different types of economic activities.**

Various economic activities are:

1. Profession: These are activities that requires specialised skills and knowledge and people involved in this are known as professionals
2. Employment: It is the type of economic activity where people get paid for the service they provide and are known as employees.
3. Business: It is the economic activity that deals with trading of goods and services with a motive to earn profit.

**7. Why business is considered an economic activity?**

Business is said to be an economic activity as the sole purpose of starting a business is to earn livelihood and also make profit from the activity. Hence, it is considered to be an economic activity.

**8. State the meaning of business.**

Business is the occupation where people engage themselves in activities that are related to purchase or production and sale of goods and services with the sole purpose of earning profit, and therefore produce or sell goods and services that are in demand.

**9. How would you classify business activities?**

Business activity can be classified as:

1. Industry
2. Commerce

**Industry:** It involves activities that are concerned with processing of raw materials to shape it into final product. The role of an industry is to provide value to the raw material so that it can be consumed by the end users (consumers). Industries are classified as primary, secondary and tertiary based on the function they perform.

**Commerce:** It is mainly concerned with trading and the related activities. It includes the exchange of goods and services. Commerce deals with two types of activities: trade and auxiliaries to trade. When goods are bought and sold, it is referred to as trade and auxiliaries to trade involved activities that include banking, transportation, advertising, communication. Commerce provides the necessary link that needs to exist between producers and consumers.

**10. What are the various types of industries?**

Industries can be broadly categorized into three types:

1. **Primary Industries:** These type of industries focus on getting raw material and the examples are mining, fishing and farming.
2. **Secondary Industries:** Such industries are mainly involved with manufacturing goods from raw materials and includes car, steel and electronics industry.
3. **Tertiary Industries:** These industries provide services and support to primary and secondary industries and with activities related to trade.

**11. Explain any two business activities which are auxiliaries to trade.**

Activities that facilitate exchange of goods and services are referred to as auxiliaries to trade. Two examples are:

1. **Banking and Finance:** Funds are necessary for acquiring assets, purchasing raw materials and also to meet other expenses. These funds can be obtained from a bank. Therefore, banking helps business activities to meet the required funds.
2. **Advertising:** It is an important component of marketing that involves promotion of products, and accurate promotion only help reach potential viewers that will result in sales.

**12. What is the role of profit in business?**

Profit is the only purpose for which business is done. Without profit a business will not sustain for long time. For a business to operate on a regular basis, a part of profit needs to be reinvested. It helps in growth of business. Role of profit in a business is that it is necessary for expansion of the business.

**13. What is business risk? What is its nature?**

Business risk, this term is referred to as the possibility of earning inadequate profits or losses due to unforeseen or unexpected circumstances. It can happen when demand for a particular product declines due to increased competition or change in customer preferences.

Nature of business risks are:

1. Profit related to risk: Profit is obtained as a reward for the risk taken in business.
2. Degree of risk taken depends upon the scale of operation of business
3. Risk is an essential part of any business.
4. Business risk arises due to uncertainties in business.

**Long Questions for NCERT Business Studies Solutions Class 11 Chapter 1****1. Discuss the development of indigenous banking system in Indian subcontinent.**

Indigenous banking system played a prominent role in lending money and also in financing domestic and international trade with help of currency and later with the letter of credit. As the banking system developed, people began depositing precious metals with individuals who were known as Seths. Money became the means which manufacturers can use to produce more goods. Later, documents in the form of Hundi and Chitti were used for carrying out monetary transaction. In ancient India, for trade promotion, the intermediaries played a prominent role. The financial security offered by them helped in taking risks in foreign trade. The institutions such as of Jagat Seth also exercised great influence during the period of Mughals and later in the time of East India Company. The availability of loans and rise in credit transactions helped in growth of commercial establishments.

India enjoyed a great balance of trade with exports held the upper hand in comparison to imports. This system helped manufacturers, traders and merchants in getting funds for expansion and development. Industrial and Commercial banks evolved to become finance trade and commerce, agriculture banks which provided short and long term loans to finance those involved in agriculture activities.

**2. Define business. Describe its important characteristics.**

Business is the occupation where people engage themselves in activities that are related to purchase or production and sale of goods and services with the sole purpose of earning profit, and therefore produce or sell goods and services that are in demand.

Characteristics of business are:

1. Business is considered to be an economic activity as the sole purpose of starting a business is for earning profit.
2. Business deals with procuring of raw materials and converting them into finished products and selling to consumers
3. Sustainability and the future growth of business is determined by the profit it is earning.
4. Business involves exchange of goods and service using a common medium i.e money.
5. Any business whether small or big will face business risks
6. There will be uncertainty of returns as the business may incur loss or gain profits

## 3. Compare business with profession and employment.

| Basis of comparison    | Business                                                                   | Profession                                                         | Employment                                            |
|------------------------|----------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------|
| Mode of Establishment  | Entrepreneur's decision and other legal formalities, if felt necessary     | Certificate of practice and a membership of a professional body    | Service agreement and appointment letter              |
| Nature of Work         | Providing goods and services to public                                     | Providing expert and personalized services                         | Working as per rules of service or service contract   |
| Risk involved          | Uncertain risk is there as profit and loss cannot be determined beforehand | Some risk can be there                                             | Little or no risk                                     |
| Transfer of ownership  | It can be transferred by following certain formalities.                    | No transfer possible as degree and certification received for self | No transfer possible                                  |
| Reward or remuneration | In form of profit                                                          | In form of fees for consultation                                   | In form of salary                                     |
| Code of conduct        | There is no code of conduct as such                                        | Professional code of conduct must be followed                      | Code of conduct as per rules of organisation          |
| Qualification          | No minimum qualification required                                          | Qualification as prescribed by the awarding body                   | Qualification and training as per employers direction |

**4. Define industry. Explain various types of industries giving examples.**

Industry is referred to the economic activities that result in converting resources into useful goods. The use of machines and technical skills are involved which is used for producing variety of goods, breeding animals. There are three types of industries:

1. **Primary Industries:** These type of industries deal with products that are obtained from natural sources. The main purpose of such industries is to convert raw material into a form that can be consumable. Examples of such industries are farming, hunting, mining, fishing industries. Primary industries can be classified into two types based on the activities performed.

a. **Extractive Industries:** These industries deal with products that needs to be refined so that it can be used in some other industries. The examples are mining and fisheries.

b. **Genetic Industries:** These industries deal with breeding plants and animals and using them for further use.

2. **Secondary Industries:** These industries deal with manufacturing of products, they acquire raw materials and convert them into goods to which further value can be added. Such type of industries can be categorised as:

a. **Manufacturing Industries:** Here the raw materials gets converted into finished products to become readily usable such as petroleum, wax which is obtained from mineral oil etc.

b. **Synthetic Industries:** These combine raw materials to form a new product. Examples are cosmetic industry.

c. **Processing Industries:** Here the raw material is processed and purified in order to arrive at a final product. Examples are paper and sugar industries.

d. **Assembling Industries:** Combining various components in order to arrive at the final product is the speciality of assembling industries. Examples are electronics industry or automobile company or Construction Company.

3. **Tertiary Industries:** These industries serve as the facilitator of primary and secondary industries. These industries are mainly involved in providing service to the industries, Examples are baking, transportation.



**5. Describe the activities relating to commerce.**

There are two types of activities in commerce namely 1. Trade and 2. Auxiliaries to trade.

Buying and selling of goods is called trade whereas auxiliaries to trade involves activities such as banking, communication, transportation and advertising. Commerce enhances the link between consumers and producers.

1. **Banking and Finance:** It is one of the most important requirement to run any business. Without finance the free movement of goods is restricted. A banking arrangement helps in availability of credit to traders thus acting as an auxiliary to trade.
2. **Warehousing:** It refers to storing of goods till the time it is ready to be transported. Warehousing ensures proper storage and facilitates easy availability of goods.
3. **Transportation:** It helps producer in purchasing of goods and other necessary items from different places and also sell it in different areas. It helps in buying and selling of goods.
4. **Advertising:** Advertisements through various channels such as radio, TV helps in reaching the information to the audience and increase sale
5. **Insurance:** There will be risks in business and to cover against, you need to get insured.

**6. Explain any five objectives of business**

Business objectives can be discussed as follows:

1. **Maximum Profit:** The only motive of doing business is to earn profit. Growth prospects can be determined by the capacity to earn profits. The profit earned can be reinvested to earn higher growth.
2. **Market Share:** A business will have competition and by staying ahead of competitors a business develops a market share. Maximum market share can be captured by providing quality products at reasonable price.
3. **Worker performance:** A business will be performing at its best if the workers are motivated and satisfied. It requires a healthy working environment for the workers for making a great contribution.
4. **Innovation:** Innovation is the key to cutting down costs while improving performance, and by doing this a business can stay ahead of its competitors.
5. **Social Responsibility:** A business has certain responsibilities towards the society and these include removing poverty, unemployment and pollution etc. Fulfilling those responsibilities a business earns the goodwill.



**7. Explain the concept of business risk and its causes.**

Business risk, this term is referred to as the possibility of earning inadequate profits or losses due to unforeseen or unexpected circumstances. It can happen when demand for a particular product declines due to increased competition or change in customer preferences. It is very difficult to determine customer preferences as it is subject to change.

Business risk is of two types namely pure business risk and speculative business risk.

- a. Pure Business Risk: In this type of risk, there is chance of losses or no loss whatsoever. Such risks can be associated with theft, various natural calamities and fire.
- b. Speculative Business Risk: In this type of risk there is an equal chance of earning profit or incurring loss, such type of risk arises due to changes in government policy, competitor's policy, price change or a change in consumer preferences.

Business risk is caused due to the following as discussed below:

- 1. Economic Causes: These types of business risk arises due to uncertainty surrounding the changes in policy of competitors, price change or changes in preference of consumer.
- 2. Natural causes: Natural calamities such as flood, earthquake and famine can cause extensive loss to a business. Such risks are beyond control.
- 3. Human causes: These are caused by negligence on part of humans like carelessness, riots, strikes are some examples.
- 4. Other causes: There are some events that are unpredictable such as political disturbances, interest and exchange rate fluctuations.

**8. What factors are to be considered while starting a business? Explain.**

It is common for a business to check all the aspects before starting the operations. Here are some of the important points to consider:

- 1. Line of Business: This helps in a determining the line of business as it will help boost confidence.
- 2. Scale of business: This determines the scale on which the business will be run.
- 3. Location: A location for setting up a business requires considering the following factors such as cheap labour, availability of raw material, good transportation facilities, sufficient power and infrastructural facilities.

4. Finance: Business is impacted in every step by finance, starting from purchasing raw materials to machinery and then the further investments needed for growth. Therefore, raising funds is necessary for business.
5. Efficiency of Workforce: A trained workforce is a pre-requisite to carry different business activities, therefore identifying skilled workforce is a must before starting a business.
6. Physical requirements of business: These include the tools, machinery and technology that increases the business efficiency. So it should be chosen as per the nature and scale of business.

