

# Lesson 1

## Introduction to Business

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

In this lesson let us learn more about the various types of activities in which we all keep ourselves busy to satisfy our wants. We shall learn in detail about 'Business' as a human activity.

### 1.1 Objectives

After studying this lesson, you will be able to:

- define human activities;
- distinguish between economic and non-economic activities;
- define the term 'business';
- identify various characteristics of business; and
- explain the importance of business.

### 1.2 Human Activities

Activities which human beings undertake are known as human activities. These may be cultivating land, growing plants, rearing animals, teaching in a school or college, working in a factory or office, watching television, listening to radio, reading newspaper, worshipping in

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a temple, playing football, etc. We can divide these activities into two broad categories as (i) economic activities; and (ii) non-economic activities.

**(i) Economic activities**

Activities, which are performed with an objective to earn money, are known as economic activities. For example, a farmer grow crops to sell them, a factory or office employee works and gets wage or salary, a businessman earns profit through buying and selling of goods.

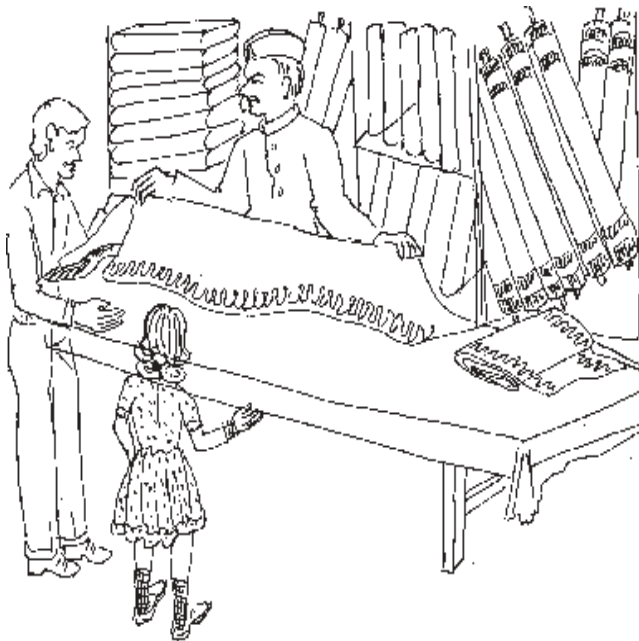
**(ii) Non-economic activities**

Activities, which are not performed to earn money but to get some satisfaction are called non-economic activities. These activities are performed to discharge social obligation or for physical fitness or for recreation. People visiting places of worship, providing relief to the victims of flood and earthquake, engaging in sports activities, gardening, listening to radio or watching television are all examples of non-economic activities.

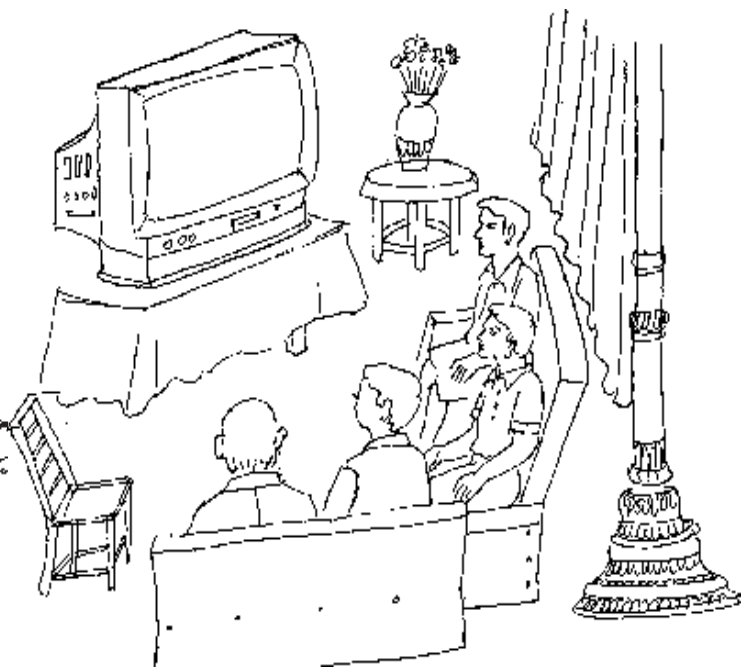
Let us understand this further in the following table

**Difference between Economic and Non-Economic Activities**

<i>Basis</i>	<i>Economic activities</i>	<i>Non-economic activities</i>
i. Purpose	Economic motive	Social and Psychological motive
ii. Outcome	Lead to creation of wealth and assets	Lead to satisfaction and happiness



1.1 Economic activity



1.2 Non-economic activity

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## Intext Question 1.1

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- A. State whether the following statements are true or false, by writing 'T' against true statement and 'F' against false statement.
- A doctor attending to patients in his clinic is engaged in an economic activity.
  - A mother stitching clothes for her children is engaged in an economic activity.
  - A tailor stitching clothes for his customers is engaged in an economic activity.
  - Distributing food to beggars outside the temple is a non-economic activity.
  - Sachin Tendulkar playing cricket for the country is performing a non-economic activity.
- B. In the following list of activities, state which are economic activities and which are non-economic activities.
- Playing football with friends
  - Teaching in a school
  - Attending to one's relative who is unwell
  - Listening to radio
  - Selling fruits and vegetables in the local market
  - Preparing food at home
  - Working in an office
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## 1.3 Types of Economic Activities

We know that economic activities are undertaken to earn money. Generally, people engage themselves in such activities on a regular basis and are said to be engaged in their occupation. Thus, occupation means keeping oneself engaged or occupied in some gainful economic activity on a regular basis to earn one's livelihood. For example, doctors treat patients, lawyers provide legal services, workers work in offices and factories, teachers teach in schools and colleges and shopkeepers buy and sell goods to earn their livelihood. In this way, they are all engaged in occupations.

When an individual is regularly engaged in a particular economic activity, it is known as his/her occupation.

Occupations may be classified into three broad categories.

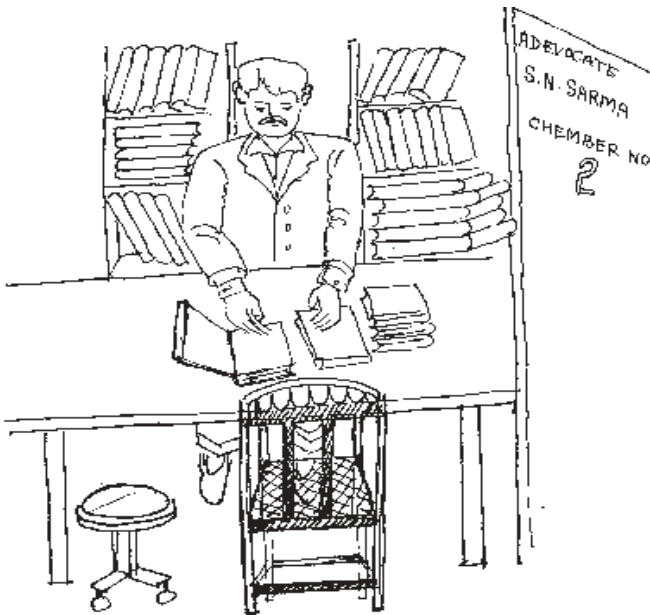
- Profession
- Employment
- Business

Let us now understand each of them :

- a. Profession:** - A person may not be an expert in every field. So, we require services of others who specialise in one field or other. For example, we need the services of doctors for our treatment, lawyers to get legal support etc. They are all engaged in

Individuals engaged in profession are called professionals.

profession. Thus, profession refers to an occupation, which requires specialised knowledge and training to pursue it.



1.3 A professional

Let us know about the characteristics of a profession:

**i. Specialised knowledge**

We already know that every profession requires specialised knowledge to be acquired through training. This knowledge cannot be inherited. A doctor's son cannot become a doctor without pursuing the necessary course of studies for medical degree. A lawyer must have knowledge and training in law to be able to provide legal service to the people. To be a chartered accountant one has to pass the examinations conducted by the Institute of Chartered Accountants of India.

**ii. Service motive**

The primary objective of every profession is to provide service. The professionals get some remuneration for providing such services. Thus, doctors, lawyers and other professionals work with service motive and in the process earn money for their livelihood.

**iii. Regulated by Professional body**

A professional body regulates every profession. For example, Institute of Chartered Accountants of India, Bar Council of India, and Medical Council of India are the professional bodies established to regulate the functions of chartered accountants, lawyers and doctors in India respectively.

**iv. Code of conduct**

These professionals have a code of conduct developed by the concerned professional body. This is to be followed strictly by each professional. This ensures uniformity in working of all the professionals.

**b. Employment:** Employment refers to an occupation in which a person works regularly for others and gets wage/salary in return. Government servants, company executives, bank officials, factory workers are all said to be in employment. Let us learn about the characteristics of employment:

**i. Work for others**

People engaged in employment always work for someone else. They are not free to decide the work to be done. They have to follow the instructions of their boss or employer.

**ii. Terms and conditions**

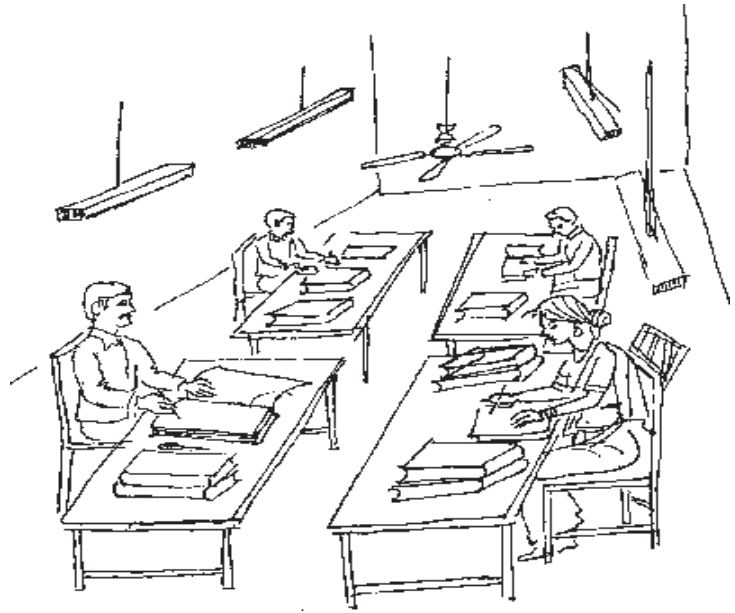
In employment there are certain terms and conditions regarding work to be performed, hours of work, amount of remuneration and other facilities, if any. The employer who offers employment normally decides these conditions. The person seeking a job must join the work only after being satisfied with the terms

and conditions.

### iii. Fixed income

The remuneration payable to an employee is fixed and is paid in the form of wage or salary. An employee gets his wage or salary at regular intervals. This may be on daily or monthly basis. The increments in pay, dearness allowance and other allowances are also payable on the basis of the terms and conditions of employment.

- c. **Business:** Business refers to an occupation in which goods and services are produced, sold and exchanged in return of money. It is carried out on a regular basis with the prime objective of making profit. Mining, manufacturing, trading, transporting, storing, banking, and insurance are examples of business activities. Details about business are discussed in section 1.5 of this lesson



1.4 Persons in employment

**Vocation-** Sometimes people earn their livelihood through vocation. Vocation basically means possession of a specific skill and its application towards earning a livelihood. For example people like carpenter, tailor, plumber, beautician, musician, electrician, computer operator etc. are said to be in a vocation as they all possess some special skills to keep themselves occupied either in business or in employment.

## Intext Questions 1.2

A Fill in the blanks with suitable word(s):

- (i) The economic activity in which one is engaged on a regular basis is called his/her \_\_\_\_\_.
- (ii) A professional requires \_\_\_\_\_ and training in a particular field.
- (iii) The occupation in which people work for others and earn fixed income is called \_\_\_\_\_.
- (iv) A professional body regulates every profession by laying down the \_\_\_\_\_ for all professionals.
- (v) The terms and conditions of employment are decided by the \_\_\_\_\_.

B Match the phrases in column A with those in column B:

Column A

Column B

(a) Primary objective of business

(i) Special skill

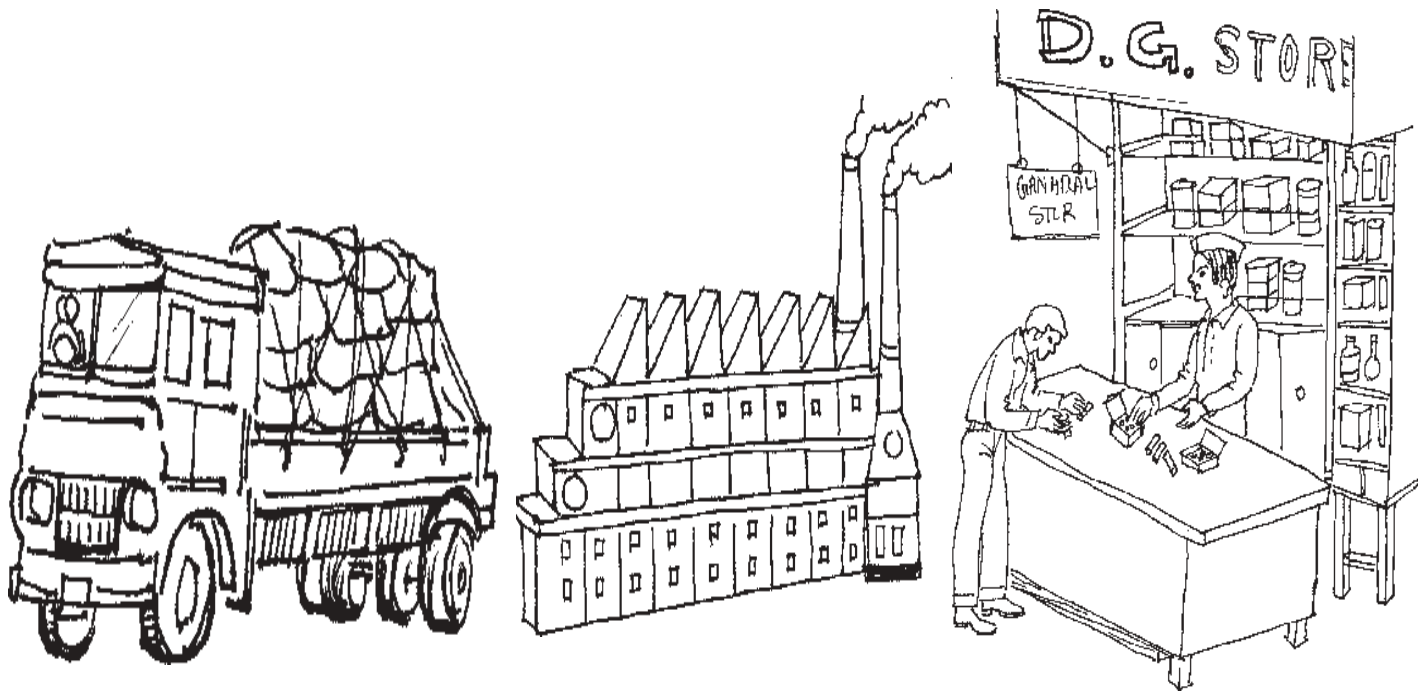
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| (b) Primary objective of profession      | (ii) Making profit     |
| (c) Essential requirement for a vocation | (iii) Profession       |
| (d) Occupation of a Chartered Accountant | (iv) Providing service |
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### 1.4 Meaning of Business

You find a variety of goods available in the market. You buy those goods as and when you require them. Do you know how these goods come to the market? Who makes these goods and who brings them to the market? Actually, all these goods are produced at some specific places, then somebody brings these goods from the place of production to the market. Only then we are able to buy these goods and use them as per our requirement.

Again you must have observed some people are engaged in activities like transportation of goods and passengers, banking, insurance, advertising, supply of electricity, telephone etc. These are all service activities and are performed by the people to earn their livelihood.

In all the above activities, be it production, distribution, purchase or sale of goods and services, monetary gain is expected in each case and also, they are performed on a continuous basis. Thus, business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, sale or purchase of goods and services.



1.5 Business Activities

**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”.**

## 1.5 Characteristics of Business

The essential characteristics of business are as follow:

- a. Deals in goods and services
- b. Sale or exchange of goods and services
- c. Regular exchange of goods and services
- d. Requires investment
- e. Aims at earning profit
- f. Involves risk and uncertainty of income.

We shall discuss each of these characteristics:

- (a) **Deals in goods and services:** People in business are engaged in production and distribution of goods and services. The goods may be consumer goods like bread, butter, milk, tea, etc. or capital goods like plant, machinery, equipments, etc. The services may be in the form of transportation, banking, insurance, warehousing, advertising and so on.
- (b) **Sale or exchange of goods and services:** If a person produces or buys a product for self-consumption or for gifting it to another, he is not engaged in business. But when he produces or buys goods to sell it to somebody, he is engaged in business. Thus, in business the goods and services produced or purchased must be exchanged for money or for goods (under barter system) between the buyers and sellers. Without sale or exchange of goods the activities cannot be treated as business.
- (c) **Regular exchange of goods and services:** The production or buying and selling activities must be carried out on a regular basis. Normally, an isolated transaction is not treated as business. For example, if Raju sold his old maruti car to Hari, it is not considered as business, unless he continues to carry buying and selling of cars on a regular basis.
- (d) **Requires investment:** Every business activity requires some amount of investment in terms of land, labour or capital. These resources are utilised to produce a variety of goods and services for distribution and consumption.
- (e) **Aims at earning profit:** Business activities are performed with the primary objective of earning income by way of profit. Without profit it is not possible to survive for a long period. Earning of profit is also required to grow and expand the business.
- (f) **Involves risk and uncertainty of income:** We know that every business aims at earning profit. The businessman who invests the various resources expects a fair amount of return. But, in spite of his/her best effort, the reward he/she gets is always uncertain.

Is there any difference between cooking food at home and in a restaurant?

Production or purchase of goods for free distribution among the poor victims of natural calamities, etc. is considered as a charitable activity and not a business activity.

Sometimes he/she enjoys profits and also times may come when he suffers heavy losses. This happens because the future is unpredictable and businessman has practically no control over certain factors that affects his earnings.

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### **Intext Questions 1.3**

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Rohan, a shopkeeper, is engaged in a number of activities, which he calls as business. Examine each of them and state whether you agree with him.

Write 'Agree' or 'Disagree' against each statement:

- (i) Rohan sold bread to customers in his shop.
- (ii) He bought a pen to gift it to his younger sister.
- (iii) He sold his old television to his neighbour for Rs. 3,000/-.
- (iv) Rohan bought eggs from the poultry farm to sell to his customers.
- (v) Rohan sells a packet of milk worth Rs. 10 to a customer for Rs. 12.
- (vi) Rohan bought vegetables worth Rs. 30 for his house.
- (vii) He distributed biscuits free of cost to poor children from his shop.

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## **1.6 Importance of Business**

Business is an integral part of modern society. It is an organised and systematic activity for earning profit. It is concerned with activities of people working towards a common goal. The modern society cannot exist without business. The importance of business can be described as follows:

- i. Business improves the standard of living of the people by providing better quality and large variety of goods and services at the right time and at the right place.
- ii. It provides opportunities to work and earn a livelihood. Thus, it generates employment in the country, which in turn reduces poverty.
- iii. It utilises the scarce resources of the nation and facilitates mass production of goods and services.
- iv. It improves national image by producing and exporting quality goods and services to foreign countries. By participating in international trade fairs and exhibitions it also demonstrates our progress and achievements outside the country.
- v. It enables the people of a country to use quality goods of international standard. This is possible by way of importing goods from foreign countries or by producing quality goods in the country by applying modern methods of production.
- vi. It gives better return to the investors on their capital investment and also provides opportunities to grow and expand the business.
- vii. It promotes social interest by providing tourist services, sponsoring cultural programmes, trade shows etc. in the country which enable people of different parts of the country to exchange their culture, traditions and practices. Thus, it promotes national integration.

- viii. It also facilitates exchange of culture among the people of different nations and thus, maintains international harmony and peace.
- ix. It helps in the development of science and technology. It spends large amount of money on research and development in search of new products and services. Hence a number of innovative products and services are developed through industrial research.

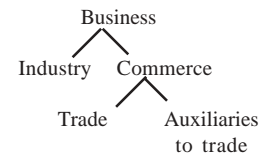
## 1.7 Types of Business Activities

Broadly, business activities are classified into two categories:

- i. Industrial activities; and
- ii. Commercial activities.

Industrial activities refer to activities related to production or extraction of goods through utilisation of various resources. Growing crops and plants, extracting oil, natural gas and minerals from the surface of the earth, processing raw materials into finished and semi-finished goods, construction of buildings, dams and bridges are examples of Industrial activities.

Commercial activities includes all those business activities which are undertaken for sale or exchange of goods and services and facilitates their availability for consumption and use. Thus, it includes trading activities and other service activities like transport, banking, insurance, warehousing etc. These service activities are known as auxiliaries to trade or aids to trade. They facilitate the business by carrying goods from the place of production to the place of consumption, providing finance, undertaking risk, systematic storing of goods etc.



### Intext Questions 1.4

- A. Given below are some statements about business. Some are right and some are wrong. Write 'R' against right statements and 'W' against wrong statements:
- (i) Business has no role to play in national integration as it only deals in goods and services.
  - (ii) Business does not contribute to improvement in the standard of living of the people.
  - (iii) Industrial research is carried out to develop new and innovative products.
  - (iv) Business does not allow import of goods from foreign countries.
  - (v) Business help in reducing poverty by generating employment.
  - (vi) Business creates a positive image of the country through display and sale of our products in international trade fairs and exhibitions.
- B. Fill in the blanks with appropriate words:
- (i) The business activities concerned with sale or exchange of goods and services are called \_\_\_\_\_ activities.

- (ii) The activities that help in carrying goods from the factory to the market, providing money to business, storing of goods etc. are known as \_\_\_\_\_.
  - (iii) \_\_\_\_\_ activities include production or extraction of goods using various resources.
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## 1.8 What You Have Learnt

- Activities which human beings undertake are known as human activities. They are of two types – economic activities and non-economic activities. Activities undertaken to earn money are called economic activities. Activities undertaken with social and psychological motive are called non-economic activities.
- Economic activities undertaken on a regular basis to earn one's livelihood are called occupations. Occupations are of three types: (i) Profession (ii) Employment and (iii) Business
- Profession is an occupation requiring specialised knowledge and training. A professional has to follow certain code of conduct framed by a professional body. The primary objective of every profession is to provide service.
- Employment is an occupation in which a person works regularly for another in return for a fixed income. He has to follow the terms and conditions of employment as decided by the employer.
- Business is an activity involving regular production or purchase of goods and services for sale, transfer and exchange with the object of earning profit.
- The characteristics of business include sale or exchange of goods and services on a regular basis. It involves investment of money with the objective of earning profit but there may be risk and uncertainty of return.
- Business is important for society since it helps in improving the standard of living, generates employment and reduces poverty. It utilises scarce resources, facilitates mass production of goods and services, promotes import and export of goods and services and leads to improvement of national image. It gives better return to investors and provides opportunities for development of science and technology. It promotes national integration and international peace and harmony

## 1.9 Terminal Exercise

1. Give two examples each of economic and non-economic activities.
2. Distinguish between Economic and Non-economic activities on the basis of
  - (i) Purpose
  - (ii) Outcome

3. What is meant by an occupation?
4. Explain any two characteristics of employment.
5. Explain any two characteristics of profession.
6. Define the term 'business'.
7. Why do we call a person doing carpentry as engaged in a vocation?
8. A cobbler making shoes for himself is not engaged in business, why?
9. Describe the main characteristics of business.
10. What is meant by business? Describe any two characteristics of business.
11. How is business different from profession? Answer in about 60 words.
12. Discuss the broad categories of business activities, giving examples?
13. Explain the three types of occupations people are generally engaged in.
14. If there is no regularity in dealings, an activity cannot be called business. Do you agree? Give reasons in support of your answer.
15. Despite uncertainty of return why is a businessman willing to invest money in the business?
16. Explain the importance of business in modern society.
17. What will happen if there is no business activity in the world? Give your answer in about 100 words.

## 1.10 Key to Intext Questions

**1.1 A** (a) T, (b) F, (c) T, (d) T, (e) F

**B** (i) Non-economic, (ii) Economic, (iii) Non-economic, (iv) Non-economic  
(v) Economic, (vi) Non-economic, (vii) Economic

**1.2 A** (i) Occupation, (ii) Specialised knowledge, (iii) Employment, (iv) Code of conduct, (v) Employer

**B** (a) (ii), (b) (iv), (c) (i), (d) (iii)

**1.3** (i) Agree, (ii) Disagree, (iii) Disagree, (iv) Agree, (v) Agree,  
(vi) Disagree, (vii) Disagree

**1.4 A** (i) W, (ii) W, (iii) R, (iv) W, (v) R, (vi) R

**B** (i) Commercial, (ii) Auxiliaries to trade, (iii) Industrial

### **Activity for You**

1. Find out from ten working people around you what they do to earn a living. Classify these under Business, Profession and Employment.
2. Talk to a shopkeeper or any other businessman and find out
  - the type of goods or services they deal in;
  - the resources they invest, like land, labour and capital, etc.
  - the risk and uncertainties they face in earning profit.

