

CLASS 11TH Commerce

SUBJECT : BUSINESS STUDIES

CHEPTER -1 NATURE AND PURPOSE OF BUSINESS

HUMAN ACTIVITIES – ECONOMIC AND NON- ECONOMIC

The activities undertaken by human being to satisfy their needs and desires are called human activities. These activities can broadly be classified into two categories- (1) Economic and (2) Non-Economic Activities.

Economic Activities

Economic activity is an activity of providing, making, buying or selling commodities or services by people to satisfy day-to-day needs of life. Any activity that includes manufacturing, distributing or utilising products or services.

In fact, whatever that involves money or the exchange of products or services are economic activities. The three types of economic activities are.

- **Business** – This economic activity provides goods and services to satisfy human needs on a daily basis with the aim of earning profits.
- **Profession** – It can also be defined as an occupation or a professional job that offers specialized services in return for professional charges.
- **Employment** – The activity is based on a contract between the company and the employee. Here, the employee performs duties for the company, and are paid(wages or salary) in return.

Features of Economic activities

1. **Wealth Oriented** : Economic activities are wealth oriented. It means, they have direct or indirect relation with earning of wealth. Other activities which have no relation with wealth are not called economic activities.
2. **Legal Activities** : Under economic activities only those activities are considered that have not been declared illegal. It means only legal action are said to be economic activities. Earning wealth by means of immoral acts, black marketing, bribery etc. are not included in economic activities.
3. **Activities of Average men** : Economic activities include only the activities of average men relating to wealth. The activities of lunatics and gamblers are not included in economic activities.
4. **Measuring rod of Money** : All economic activities are always measured in terms of money alone.
5. **Social Activities** : The social person who acts in the society then only his activities are included in economic activities.

EXAMPLES:The following are some examples of economic activities:-

1. Production sales and distribution of goods.
2. Transportation of goods.
3. Accepting deposits and lending money by banks.
4. Insurance business by Insurance Companies.
5. Storage of goods by warehouse keeping.
6. Advertisement.
7. Medical profession of a doctor.
8. Medical profession of a doctor.
9. Accounting Profession by Chartered Accountant.
10. Working as a nurse in a hospital.

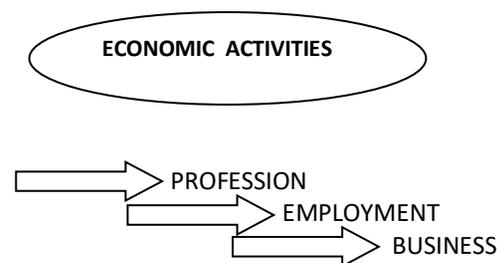
11. Working as an employee in public sector or private sector.
12. Working as a teacher in a school etc.

Non-Economic Activities

Non-economic activity is an activity performed with the purpose of rendering services to others without any consideration to financial gain. Those activities which are initiated for personal content or to meet human sentiments are non-economic activities.

Some common examples of non-economic activities are.

- **Free -Time Activities** – Its only aims at acquiring pleasure in idle time. For instance, painting and signing etc.
- **Family-Commitment Activities** – This activity is dedicated and inspired by family. For example, a teacher education to her/his own child at home and a doctor consulting his family etc.
- **Cultural and Religious Activities** – The activity includes happiness and mental. Example, e.g. worshipping God and visiting the temple etc.
- **Social Welfare Activities** – It is based on a passionate feeling of helping or sympathizing towards others. Such as a donation to underprivileged, participation on relief camp to help people affected by war, natural calamities etc.



1. Profession:

A profession is an occupation which involves rendering of personal service of a specialised nature. The service is based on professional education, knowledge, training etc. This service is provided for a professional fees charged from the clients. The professionals are members of professional bodies and conduct their activities according to the standards set by those bodies. The professional bodies have their own code of conduct which members will have to obey.

Features of a Profession:

1. **Specialised knowledge pertaining to particular field:** A profession is and organized body of sepcialed knowledge. The body of theoretical knowledge consists of principles theories and techniques which establish cause and effect relationship. These are evolved through scientific methods of observation, experiment and experience.
2. **Practical training :** A Professional has to undergo certain vigorous training to acquire specific knowledge and skill.
3. **Restricted entry:** Every profession has restricted entry by passing prescribed examination and obtaining degree or diploma.
4. **Professional Association :** Every profession has professional association and its membership is compulsory. Such association regulates the entry in the profession, grants certificate of practice, formulates and enforces the code of conduct.
5. **Dominance of Service Motive :** The dominance of service motive is found in every profession. In other works preference is given to service rather than to selfish gain. Financial gain is secondary and dedicated service for client is primary.

6. **Code of Conduct** : Professional are regulated and bound by formal code of conduct prescribed by their respective professional association.

Employment :

When a person undertakes to render personal service under an agreement of employment, he is said to be in service or employment. The service is rendered for a salary or wage and/or other benefits attached to that job. The service may be in a government or a private organization.

Features of Employment:

1. **Employer Employee relationship** : There must be relationship of employer and employee.
2. **Agreement** : There must be an oral or written agreement between employer and employee. This agreement lays down the terms and conditions of employment or service. i.e. working hours, leave rules, remuneration etc.
3. **Wages or Salary** : The employee is paid wage or salary for his services.

Classification of Employment or Services:

Employment or services can be classified into two categories:-

A) **Personal Services** : When a person earns money by rendering physical or mental service to other persons, it is called personal service. Personal services are of three types;

i **Domestic Services** : When the service is rendered at the residence of person in return of a remuneration or salary, it is called domestic service.

ii **Business Services** : When a person gets salary in lieu of a business work such service is called business service. Service of an office manager, office clerk and office accountant etc. are the examples of business services.

iii **Independent Service** : Some persons work independently and are not controlled or regulated by other persons. Anybody can obtain their services in return of an agreed remuneration. The services of doctors, Engineer Lawyers, Chartered Accountants are the examples of Independent Services.

B) **Public Services**: Public Services refer to services provided by agencies of Central Government, State government, local bodies, corporations and bodies incorporated. Public services are very helpful to business activities. Though public services regulation and control on economic activities can also be exercised to a desirable extent for the welfare of the public. Such services are necessary for the successful trade policy of a nation.

Business:

Business may be defined as an activity concerned with the production and exchange of goods and services with the objective of earning profits. The word 'Business' literally means 'a state of being busy'. Every person is engaged in some kind of occupation in order to earn one's living.

An entrepreneur runs a factory, a trader sells goods, a banker lends money, a transporter carries goods etc., all these activities are related to business. These activities are undertaken to earn a profit or a living out of them. People remain busy with one thing or the other.

Features of Business:

The distinctive features or characteristics of business are as under:

1. **Production or acquisition of Goods**: Business aims at providing goods to people which are either manufactured or produced or procured so that they can be sold or supplied for a price:

2. **Sale or Transfer of Title** : Business involves sale or transfer of title to goods in return for price. Goods produced or acquired for personal consumption do not form part of business.

3. **Dealings in goods or Services**: Business means dealing in goods and services. The goods may be consumer goods or producer goods. Services consist of items which cannot be stored by consumers such as transport services. Consumer goods are those goods which are directly used by consumers such as food grains.

4. **Regularity in Dealings** : Continuity of transaction is one of the main characteristics of business. A single transaction involving buying and selling does not constitute business.

5. **Profit as Reward for Services Rendered**: Business is such an activity by which men, make their living or earn profit. Making profit is an essential element of business.

6. **Uncertainty or Risk about Future**-It is through risk-taking that any business man earns profit. The operation of business always involves a certain amount of risk and uncertainty of return to the entrepreneur.

QUESTIONS:

1. Give examples of Economic and Non Economic Activities.
2. What do you mean by Profession?
3. Give the classification of Employment.
4. What is meant by Business ? Discuss its characteristics.