

Date : Marks : 30	FYJC Subject : Organisation of Commerce & Management Ch. 1. Nature and Scope of Business	Duration: 1 Hr. 15 Min. Set No. :
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SOLUTION

Q.1. (A) Select the correct answer from the possible options given below and rewrite the statement: (05)

1. A business unit depends upon for selling its output..
 (a) the industry (b) **the society** (c) its employees
2. Retailer is not directly related to the
 (a) **manufacturer** (b) wholesaler (c) customer
3. Professional charges are known as for services.
 (a) **fees** (b) goods (c) service
4. Buying the goods in raw form from a foreign country and selling the same to another country in the finished form is called trade.
 (a) export (b) **entrepot** (c) import
5. Commerce is a branch of
 (a) industry (b) trade (c) **business**

(B) Match the correct pairs: (03)

	Group "A"		Group "B"
1.	Morning walk	a)	Place utility
2.	Manufacturing industry	b)	Economic objective
3.	Warehousing	c)	Knowledge utility
		d)	Sugar Industry
		e)	Non-economic objective

Ans. : (1 - e), (2 - d), (3 - a).

(C) Write a word / term / phrase which can substitute each of the following statements: (02)

1. Industry which is concerned with the reproduction and multiplication of certain species of plants and animals. – **Genetic industry**
2. Type of foreign trade in which goods and services are bought from abroad. - **Import Trade**

Q.2. Distinguish between : (05)

1. Industry and commerce.

Industry	Commerce
It is that aspect of business which is engaged in production of good and services.	It is that aspect of business which is engaged in distribution of goods & services.
It requires huge capital investment.	It comparatively requires less capital.
It takes place in factories and workshops.	It is conducted in markets and in offices.
It requires manpower and machine power.	It requires more of manpower.
Without commerce, industrial activities are senseless.	Without industry, commercial activities cannot be started
It creates form utility.	It creates place, time and possession utility.

It has primary importance.	It has secondary importance.
It represents supply side of the market.	It represents supply side of the market.
It is conducted by producers and manufacturers.	It is conducted by traders, mercantile agents etc.
Classified as Primary Industry, Secondary Industry & Tertiary Industry	Classified as Trade and Auxiliaries to Trade.

Q.3. State with reasons whether the following statements are True or False: (05)

1. Business can be expanded with the help of mercantile agents.

Ans: This statement is **TRUE**.

Reasons:

- (1) Producers are generally few and localised at certain places only. They produce goods on a large scale in anticipation of demand. The consumers are large in number and scattered all over the country or world.
- (2) It is very difficult for producers to sell goods in small quantities and to contact each and every consumer. This difficulty is called 'difficulty of person.'
- (3) Mercantile agents like factors, brokers, commission agents, etc. act as a link between farmers and producers, between producers and wholesalers and between wholesalers and retailers. The mercantile agents sell the goods on behalf of the producers and wholesalers.
- (4) Mercantile agents provide specialised services in respect to commercial or technical knowledge, information or expertise at various stages of distribution. Thus, they remove the hindrances relating to persons in buying and selling of goods and services. This in turn helps to expand the business.

Q.4. Long Answer : (10)

1. Explain the objectives of business.

Ans: Objective is the end result of the business activity where a business unit wants to reach. All the activities of the business organizations are guided by its objectives.

In earlier days, profit maximization was the basic aim of any business activity. But today's business does not have profit as the single aim. Because, today's business is aware of the importance of other factors. It depends on the society, government and environment for its input (men, money, material) and output (it needs customers to buy the finished goods).

So, it has to achieve many other objectives if it wants to survive in today's competitive world.

The statement made by Henry Ford suggests the same. The statement is "business is not mere money chasing but it also should aim at serving the community".

Some of the important objectives of business are as follows:



[A] Economic Objectives:

Business is an economic activity. So, obviously economic objectives are of prime importance. A business organization cannot be called as a business organization unless it has economic objectives. These objectives can be listed as follows:

- (1) **Earning Profit:** Profit earning may not be the sole aim of today’s business houses, but still it is an important and basic aim of every business. Profit is required for the survival of the business, for its growth and to meet the needs of the family. Earning reasonable profit through legal operations is not objectionable. Thus, generally a business unit produces those goods and services which the public requires and which allows it to earn profit.
- (2) **Creation of Customers:** Customers are the basis of the buying and selling process. A business unit cannot even think of earning profit unless it creates customers. The very existence of a business depends upon the number of customers it has created in the market. Particularly, if competition level is high, then a business organization needs to work hard to create customers. Every business unit tries to create new customers and also to maintain the existing lot of customers. Customers can be created by supplying the right goods and services at the right time, and at the right price. When customers are fully satisfied, then a business unit can operate in the market for a long time and successfully face the competition.
- (3) **Innovations:** Innovation is a development or positive change which results into improvement in product or process of production. A business unit cannot keep offering the same product for a long time, because, other things such as fashions, purchasing capacity, technology, etc. change very quickly. If a business organization wants to hold the customers and also create new customers then it has to spend money on R and D (Research and Development), market survey use of technology, etc. so that it can provide novelties to the customers and can approach the customers in an innovative way. Innovation can be achieved by introducing new products, by tapping different channels of distribution, by offering value added services, etc.
- (4) **Best possible use of resources:** Most of the resources are scarce. Similarly, many of them have alternative uses. So, business organizations should use the resources to its maximum and should avoid wastage. When wastage is restricted, then the profits increase. Similarly, from the viewpoint of environmental issues, we cannot afford to waste the scarce resources. At the same time, the cost of production can also be

controlled by reducing the wastages. So, optimum i.e. maximum use of resources ultimately leads to increasing profits.

[B] Social Objectives:

Every business organization depends upon the society for its input and output. So, it is important that it fulfills social objectives. Its activities get social acceptance only if it satisfies its obligations toward the society.

Social objectives can be listed as follows:

- (1) **Supplying quality products:** Every business gets its customers from the society. It has to provide quality products to its customers. Quality means a combination of purity, safety, durability, utility, etc. of a product at a reasonable price. The customers will be satisfied if they get full returns of their money. Satisfied customers create a good image of the organization through mouth publicity. It ultimately results into increased customers and increased profits.
- (2) **Avoiding unfair trade practices:** A business organization should not get involved into unfair trade practices such as misleading advertising, black marketing, wrong measurement, etc. Such activities may give quick profits but in the long run it harms the goodwill of the organization. Avoiding unfair trade practices is very important for the survival and growth of a business unit.
- (3) **Employment Generation:** Business organization conducts economic activities in the society. So, it can be rightly described as a socio-economic institution. Thus, it is the duty of the business sector to create jobs for skilled and unskilled people. It should also consider poor and handicapped persons while giving jobs. A business organization can build a good public image by achieving this objective.
- (4) **Welfare of employees:** Society is the source which provides skilled and unskilled labour to the business sector. So, taking care of employee welfare is a way of serving the society. Employee welfare can be achieved by providing fair and regular remuneration, good working conditions, unbiased personnel policies, offering perks, etc.
- (5) **Help to solve Social Problems:** It is observed that many a times various social problems such as traffic jams, growth of slums, air and water pollution, etc. take place due to rapid industrialization. Business sector should be aware of these problems and should try to reduce them. It can provide residential quarters to its employees. Similarly, production processes should be such that creates minimum pollution. Thus, social and civic problems will be to the minimum.
- (6) **Contributing to the welfare of the society:** Big business houses should understand and accept their role in general welfare of the society. They can achieve this objective by giving donations for a good cause, encouraging R and D, training student community, offering scholarships for higher education, etc.