

J. K. SHAH CLASSES

FYJC -TEST - SOLUTION

Total Marks: 30

Date:

Total time: 1 hour 15 minutes

Solutions

Ans.1. (A) Fill in the blanks:

- 1) **employment**
- 2) **Insurance**
- 3) **Consumer**
- 4) **micro**
- 5) **Industry**

(B) Match the pairs :

- (1) **Time utility**
- (2) **Irregular supply of electricity**
- (3) **Changing trends**
- (4) **No branding**
- (5) **Increase demand**

Ans.2. Distinguish Between

1) Industry and Commerce

No	Basis	Industry	Commerce
1.	Meaning	It is that aspect of business which is engaged in production of goods and services.	It is that aspect of business which is engaged in distribution of goods and services.
2..	Capital	It requires huge capital investment.	It comparatively requires less capital.
3.	Location	It takes place in factories and workshops.	It is conducted in markets and in offices.
4.	Resources	It requires manpower and machine	It requires more of manpower.
5.	Interdependence	Without commerce, industrial activities are senseless.	Without industry commercial activities cannot be started
6.	Utility	It creates form utility.	It creates place, time and possession utility.

2) Business and Profession

No.	Basis of Comparison	Business	Profession
1.	Meaning	It is an economic activity where goods and services are produced and distributed.	It is an economic activity where expert services are rendered.
2.	Qualifications	Definite qualifications are not required.	Prescribed qualifications must be possessed.
3	Monetary Returns	A businessman receives profit as monetary returns	A professional charges fees as his income.
4.	Capital	Capital has to be invested.	Only self employed professional require capital investment
5.	Decision Making	Business is free to take his decision.	A Professional has decision making power as far as his profession is concerned.

3) Cottage industries and Small scale industries

	COTTAGE INDUSTRY	SMALL SCALE INDUSTRY
1. Investment in plant and Machinery	Does not exceed ₹ 25 lakhs	More than ₹ 25 lakh but does not exceed ₹ 5 crores
2. Use of technique	Mostly traditional, involves mostly operation by hand	Use of traditional as well as modern techniques.
3. Labour supply	Primarily with help of family members	Labour is available from outside.
4. Raw Material	Maximum use of raw material available from local areas.	Raw material is obtained from outside if locally not available.

Ans 3 Short notes:

1. Features of Employment

It is an economic activity. Here one person appoints another person to complete a job. The person who assigns the work is known as Employer and the person who accepts the work is known as Employee. Remuneration and terms and conditions are agreed by both of them.

Following are the features of employment:

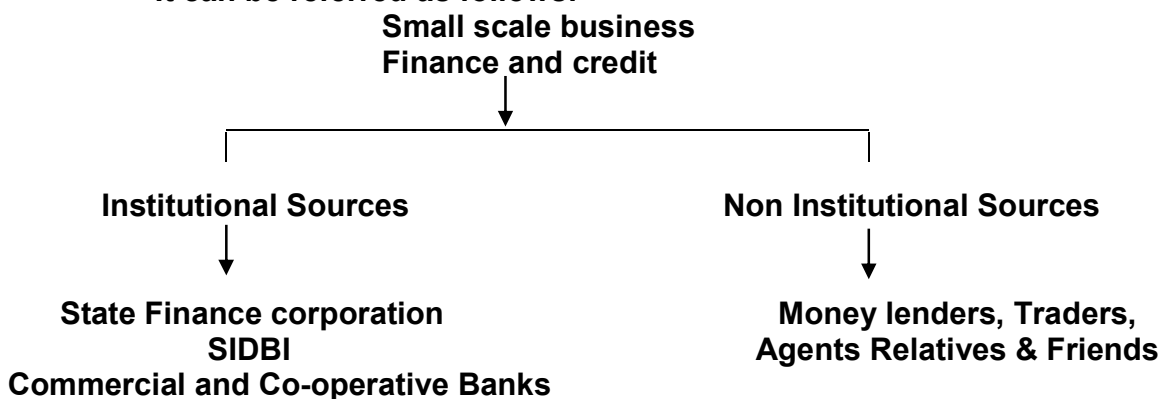
- 1) **Qualifications:** Generally, for every job, some qualification is necessary. For some jobs specific qualifications are required, e.g. Teaching job. But some jobs do not demand any, particular qualification. As the nature of job changes, even the required qualification to complete that job also changes. Thus, a particular qualification may not be required but the qualification as per the demand of the job must be possessed. (This can be used for employing skilled and unskilled employees)
- 2) **Motive:** The simple motive of any employment is to earn money to meet primary and secondary needs of the employees.
- 3) **Monetary Returns:** An employee gets wages or salary as monetary returns for the work completed by him. These returns are certain as the employees are paid as per the pre-determined terms. Wages are paid daily or weekly and salary is paid monthly, apart from the salary an employee may be paid reward such as bonus, incentives, free medical checkup, etc.
- 4) **Capital:** Capital is not required for the employment because the employer is supposed to provide material, equipments, appliances, infrastructure etc. required for the completion of the job.
- 5) **Code of conduct:** Every employee has to follow the rules and regulations mentioned by his employer and agreed by him at the time of accepting the employment.
- 6) **Non- transferability:** Every employment is an independent contract which is non transferable. Employment cannot be transferred from one person to another, e.g. if a clerk retires then he cannot transfer his job to his son, provided certain provisions and guidelines are given on Government level.

2. Problems of small business in India

The small scale and cottage industries face a number of problems because they are small in size. It prevents them from taking advantage of economies in large scale production . At the same time the units have little motivation to expand in size and they are not able to take advantage of various government incentive schemes.

- 1) **Finance and credit:** Lack of finance is the most serious problem faced by small business. The position of cottage and village industries in this regard is even worst. Many small units have partnership or single ownership. Their capital base is weak. Artisans or craftsman running cottage industry take credits from Mahajan as or traders who supply raw materials to them. Exploitation is very common. For small scale industries their credits needs are fulfilled by institutional and non-institutional sources of finance.

It can be referred as follows:



- 2) **Non-Availability of raw-materials:** Many small scale and cottage units depend on local sources for raw materials. Traders and agents supplying these raw materials often exploit the owners of tiny and cottage units by charging higher prices, e.g. The handloom industry depends for its requirement of cotton from local traders. These traders often supply cotton on the condition that the weavers would sell the cloth only to them. They insist buying finished products at lower rate. Thus small business owners are victims of double exploitation.
- 3) **Problems of Infrastructure:** Infrastructural problems also difficult unless and until they have infrastructure in its place, the rest of the efforts are futile. Many small business have been forced to close down due to acute power shortage. In some parts of country power is a serious constrain in terms of power cuts, voltage level, safety of the power lines, billing and overall functioning of system.
- 4) **Outdated technology and old methods of production:** Only a small segment of small scale industry uses the latest and advanced technology. The rest of the units do not have access to such technology. The use of low grade technical know how and skills have resulted in low productivity in many industries.
- 5) **Marketing problems :**Effective marketing of goods requires a deep understanding of customer's needs and requirements. Many small business units are unable to incurr enough marketing expenses to expand the size of their markets. Problems also arise because of dealing in only one product. These organization depend excessively on middlemen who many times exploit them by paying low price and delayed payments. Further direct marketing may not be feasible for small business as they lack necessary infrastructure.

Ans 4.State with reason ,the statement is True or False

1. Commerce is wider than Business

False

It is a part of business that takes care of distribution of goods and services.

It is a narrow concept than business.

It is further classified as Trade and auxiliaries to trade.

It requires only marketing skill.

It is a branch of business.

2. Small business do not play any role in the economy of India

False

Real India resides in Rural India. 3/4 th population is from rural areas and 75% of the labour force earn life boost from agriculture. That is why rural industries must be developed to solve problem of unemployment.

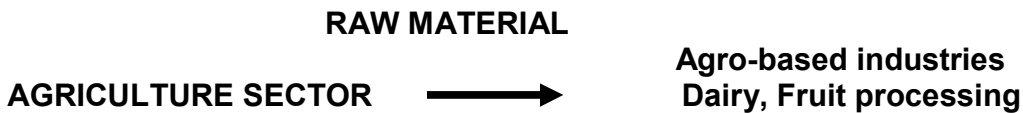
- 1) **Employment generation:** small scale business creates largest employment opportunities for rural India next to agriculture. Being labour intensive nature of small business, it has immense employment generating potential. It absorbs surplus amount of labour in rural economy. Prominent occupation of rural area is agriculture where seasonal unemployment is very common. It is reduced remarkably by small business in interior parts. The picture gets clear from the following table.

Generation of employment in rural India

Industry	Contribution of Employment
1. Food Products industry	0.48 million people (12.1%)
2. Non metallic mineral Product	0.45 million people (12.2%)
3. Metal product	0.37 million people (10.02%)
4. chemicals, machinery parts, wood products, Paper production, General repairs.	9.5%

Total contribution of small business is around 45% in area of employment.

- 2) **Utilization of skill of rural population:** Small industries in rural areas are skill based. Wherein the skill for manufacturing is passed from one generation to another. Traditional skills many times can be utilized and provides encouragement to rural population wood carving, stone carving, meta carving products require such skill . Even textile industries producing special traditional material requires skill. Interior parts of Punjab, Ludhiana are the main centres of our country to produce woollen hosiery, sewing machine parts, bicycles parts.
- 3) **Support of agricultural sector:** Agriculture is the heart of rural area. Small business industry provides inputs to agricultural sector in form of processing facilities and consumer goods for consumption. Rural based cottage industry affects agricultural production favourably. Agro based industries such as food/fruit processing, fisheries, dairy, etc. utilize raw material from agriculture sectors and accelerates growth.



- 4) **Optimum utilization of local raw material:** Raw material, which is available locally in rural areas is utilized at optimum level by small scale business. It reduces cost of transportation, saves time consumption and results in overall reduction in cost of production which ultimately gives affordable price of finished product to customer.
- 5) **Equitable distribution of National income:** Development of small business in rural India, results in decentralizing industrial expansion, it brings about more equitable distribution national of income and wealth, because of ownership pattern of these industries is more widespread, it leads to income generation and better income distribution of wealth.