

Chapter – 3

Classification of Business Activities

I. Choose the Correct Answer

Question 1.

The industries engaged in extraction of iron ore are known as

- (a) Construction industries
- (b) Manufacturing Industries
- (c) Extraction industries
- (d) Genetic Industries

Answer:

- (c) Extraction industries

Question 2.

Auxiliaries to trade is also called as

- (a) Trade
- (b) Advertisement
- (c) Warehousing
- (d) Aids to trade

Answer:

- (d) Aids to trade

Question 3.

Production which involves several stages for manufacturing finished products is known as

- (a) Analytical industry
- (b) Synthetic Industry
- (c) Processing industry
- (d) None of the above

Answer:

- (c) Processing industry

Question 4.

Normally high-level risk is involved in

- (a) Industry
- (b) Commerce
- (c) Trade
- (d) All the above

Answer:

- (a) Industry

Question 5.

Commerce is mainly concerned with

- (a) Connecting producer and consumer
- (b) Pricing of goods
- (c) Buying and selling of goods
- (d) Manufacturing of goods

Answer:

- (a) Connecting producer and consumer

II. Very Short Answer Questions

Question 1.

Define Commerce.

Answer:

Commerce is the part and parcel of human life. It is emerged as an economic activity, mainly as a barter system which means the exchange of goods for goods. It is defined as an “Organized system for the exchange of goods and services between members of the industrial world”.

Question 2.

What do you mean by industry?

Answer:

The industry refers to economic activities, which are connected with the conversion of resources into useful goods. The production side of business activity is referred to as an industry.

Question 3.

What is trade?

Answer:

Trade denotes the activity of buying and selling or exchanging goods or services between people, firms or countries. A system or network that allows trade is called a market.

Question 4.

Write a short note on transportation.

Answer:

The medium which moves men and materials from one place to another is called transport. Selling all the goods produced at or near the production places is not possible. Hence, goods are to be sent to different places where they are demanded.

III. Short Answer Questions

Question 1.

Distinguish between Extractive industries and genetic industries.

Answer:

Extractive industries are concerned with drawing out products from natural sources such as soil, sea, and air. The products of such industries are generally used for producing finished goods.

Following are some of the examples of extractive industries

- Farming
- Mining
- Fishing

Genetic industries are concerned with activities like reproduction, breeding, and multiplication of animals and plants.

Following are the examples of genetic industries:

- Agricultural activities for the production of crops

- Animal husbandry
- Dairy farming
- Poultry farming

Question 2.

What do you mean by tertiary industries?

Answer:

They do not produce goods. These industries produce utility services and sell them at a profit. They help trade, industry, and commerce. This term also includes auxiliaries to trade like banking, insurance, warehouse, advertisement etc.

IV. Long Answer Questions

Question 1.

Explain the various kinds of industries on the basis of size.

Answer:

Meaning: The industry refers to economic activities, which are connected with the conversion of resources into useful goods. It also used to mean a group of firms producing similar or related goods. Under the Micro, Small and Medium Enterprises (MSME) Development Act, 2006, the types of industries can be classified into four.

On the basis of size or scale of operations industries may be classified as follows:

- **Micro units:** A unit wherein investment in plant and machinery is upto Rs.25 lakhs in case of manufacturing and upto 10 lakhs in case of service enterprises.
- **Small units:** A manufacturing unit wherein investment in plant and machinery is more than 25 lakhs but does not exceed Rs.5 crore. In the case of service enterprises, these limits are Rs.10 lakhs and Rs.2 crore respectively.

- Medium units: A manufacturing unit wherein investment in plant and machinery is more than 5 crores but does not exceed Rs. 10 crores In the case of service enterprises, these limits are Rs.2 crore and Rs.5 crore respectively.
- Large units: A manufacturing unit wherein investment in plant and machinery exceeds Rs.10 crore. In the case of a service unit investment in equipment exceeds Rs.5 crore.

Question 2.

Compare industry, commerce, and trade.

Answer:

		INDUSTRY	COMMERCE	TRADE
1.	Meaning	Extraction, reproduction, conversion, processing and construction of useful products.	Activities involving distribution of goods and services.	Purchase and sale of goods and services.
2.	Scope	Consists of all activities involving conversion of materials and semi-finished products into finished goods.	Comprises trade auxiliaries to trade.	Comprises exchange of goods and services.
3.	Capital	Generally large amount of capital is required.	Need for capital is comparatively less.	Small capital needed to maintain stock and to grant credit .
4.	Risk	Risk involved is usually high.	Relatively less risk is involved.	Relatively less risk is involved.
5.	Side	It represents supply side of goods and services.	It represents demand side of goods and services.	It represents both supply and demand.
6.	Utility creation	It creates form utility by changing the form or shape of materials.	It creates place utility by moving goods from producers to consumers.	It creates possession utility through exchange.

Question 3.

Write short notes on:

1. Analytical industry

2. Genetic industry and
3. Construction industry.

Answer:

1. Analytical Industry: It analyses and separates different elements from the same materials, as in the case of oil refinery.

2. Genetic Industries: These industries remain engaged in breeding plants and animals for their use in further reproduction. The seeds, nursery companies, poultry, dairy, piggeiy, hatcheries, nursery, fisheries, apiary etc are classic examples of genetic industries.

3. Construction Industries: These industries are involved in the construction of buildings, dams, bridges, roads, as well as tunnels, and canals.

Question 4.

Briefly explain the auxiliaries of trade.

Answer:

All activities that facilitate the smooth flow of goods from manufacturing centers to the consumption centers are called auxiliaries to trade or aids to trade. It may be classified into five categories. They are:

1. Transportation:

It is not possible for the producers to sell all the goods produced by them near the production centre. So the goods had to be sent to different places where they are demanded. The medium which moves men and materials from one place to another is called transport.

2. Banking and Finance:

Without banks, the business cannot be run smoothly. Banks supply money. A bank is an organization which accepts deposits of money from the public, withdrawals on demand or otherwise, and lends the same to those who need it. Business activities cannot be undertaken unless funds are available for acquiring assets, purchasing raw materials, and meeting other expenses. A businessman can obtain funds from banks. Thus banking helps business activities to overcome the problem of finance.

3. Insurance:

Business involves various kinds of risks. The factory assets must be protected against fire, theft, and other risks. The stock in the warehouse and in transit is subject to the risk of loss or damage. Employees also need protection against occupational hazards. Insurance provides protection in all such cases. On payment of a nominal premium, the amount of loss or damage and compensation for injury if any can be recovered from the insurance company.

4. Warehousing:

There is a time gap between the goods production and the final consumption. The goods produced have to be maintained as stock to make them available as and when required. Special arrangements must be made for the storage of goods to prevent loss or damage. Warehousing helps business firms to overcome the problem of storage and facilitates the availability of goods when needed. The price of the product should be maintained at a reasonable level through a continuous supply of goods.

5. Advertising:

The sale of the products has been increased with the help of advertising. Fast-moving consumer goods like soaps, detergents, electronic goods, and automobiles need advertisement to reach people. It is not possible for the producer and the trader to reach each and every consumer. Thus for promoting sales information about the goods and services available their features, price, etc., must reach potential buyers.

Also, there is a need to persuade potential buyers about the uses, quality, prices, competitive information about the goods and services, etc. Advertising helps in providing information about available goods and services and inducing customers to buy particular items.