

BUSINESS STUDIES

Textbook for Class XI



राष्ट्रीय शैक्षिक अनुसंधान और प्रशिक्षण परिषद्
NATIONAL COUNCIL OF EDUCATIONAL RESEARCH AND TRAINING

ISBN 81-7450-530-X

First Edition

March 2006 Phalguna 1927

Reprinted

October 2006 Kartika 1928
December 2007 Agrahayana 1929
March 2009 Phalguna 1930
January 2010 Magha 1931
January 2011 Magha 1932
January 2012 Magha 1933
March 2013 Phalguna 1934
November 2013 Kartika 1935
December 2014 Pausa 1936
April 2016 Vaishakha 1938
March 2017 Phalguna 1938
January 2018 Magha 1939

PD 300T RPS

© **National Council of Educational
Research and Training, 2006**

₹ 115.00

Printed on 80 GSM paper with
NCERT watermark

Published at the Publication Division by
the Secretary, National Council
of Educational Research and Training,
Sri Aurobindo Marg, New Delhi 110 016
and printed at Amit Printing Press,
D-12 and 13, Industrial Area, Site-A,
Mathura-281 001 (U.P.)

ALL RIGHTS RESERVED

- ❑ No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the prior permission of the publisher.
- ❑ This book is sold subject to the condition that it shall not, by way of trade, be lent, re-sold, hired out or otherwise disposed of without the publisher's consent, in any form of binding or cover other than that in which it is published.
- ❑ The correct price of this publication is the price printed on this page. Any revised price indicated by a rubber stamp or by a sticker or by any other means is incorrect and should be unacceptable.

**OFFICES OF THE PUBLICATION
DIVISION, NCERT**

NCERT Campus
Sri Aurobindo Marg
New Delhi 110 016 Phone : 011-26562708

108, 100 Feet Road
Hosdakere Halli Extension
Banashankari III Stage
Bengaluru 560 085 Phone : 080-26725740

Navjivan Trust Building
P.O. Navjivan
Ahmedabad 380 014 Phone : 079-27541446

CWC Campus
Opp. Dhankal Bus Stop
Panihati
Kolkata 700 114 Phone : 033-25530454

CWC Complex
Maligaon
Guwahati 781 021 Phone : 0361-2674869

Publication Team

Head, Publication Division : *M. Siraj Anwar*
Chief Editor : *Shveta Uppal*
Chief Business Manager : *Gautam Ganguly*
Chief Production Officer : *Arun Chitkara*
Editor : *R.N. Bharadwaj*
Production Assistant : *Mukesh Gaur*

Cover

Karan Chadha

FOREWORD

The National Curriculum Framework (NCF), 2005, recommends that children's life at school must be linked to their life outside the school. This principle marks a departure from the legacy of bookish learning which continues to shape our system and causes a gap between the school, home and community. The syllabi and textbooks developed on the basis of NCF signify an attempt to implement this basic idea. They also attempt to discourage rote learning and the maintenance of sharp boundaries between different subject areas. We hope these measures will take us significantly further in the direction of a child-centred system of education outlined in the National Policy of Education (1986).

The success of this effort depends on the steps that school principals and teachers will take to encourage children to reflect on their own learning and to pursue imaginative activities and questions. We must recognise that, given space, time and freedom, children generate new knowledge by engaging with the information passed on to them by adults. Treating the prescribed textbook as the sole basis of examination is one of the key reasons why other resources and sites of learning are ignored. Inculcating creativity and initiative is possible if we perceive and treat children as participants in learning, not as receivers of a fixed body of knowledge.

These aims imply considerable change in school routines and mode of functioning. Flexibility in the daily time-table is as necessary as rigour in implementing the annual calendar so that the required number of teaching days are actually devoted to teaching. The methods used for teaching and evaluation will also determine how effective this book proves in making children's life at school a happy experience, rather than a source of stress or boredom. Syllabus designers have tried to address the problem of curricular burden by restructuring and reorienting knowledge at different stages with greater consideration for child psychology and the time available for teaching. The textbook attempts to enhance this endeavour by giving higher priority and space to opportunities for contemplation and wondering, discussion in small groups, and activities requiring hands-on experience.

The National Council of Educational Research and Training (NCERT) appreciates the hardwork done by the textbook development committee responsible for this book. We wish to thank the *Chairperson* of the advisory group in Social Sciences, Professor Hari Vasudevan and the *Chief Advisor* for this book, Professor Sanjay K. Jain, for guiding the work of this committee.

Several teachers contributed to the development of this textbook; we are grateful to their principals for making this possible. We are indebted to the institutions and organisations which have generously permitted us to draw upon their resources, materials and personnel. We are especially grateful to the members of the National Monitoring Committee, appointed by the Department of Secondary and Higher Education, Ministry of Human Resource Development under the Chairpersonship of Professor Mrinal Miri and Professor G.P. Deshpande for their valuable time and contribution. As an organisation committed to systemic reform and continuous improvement in the quality of its products, NCERT welcomes comments and suggestions which will enable us to undertake further revision and refinements.

New Delhi
20 December 2005

Director
National Council of Educational
Research and Training

TEXTBOOK DEVELOPMENT COMMITTEE

CHAIRPERSON, ADVISORY COMMITTEE FOR SOCIAL SCIENCE TEXTBOOKS AT THE HIGHER SECONDARY LEVEL

Hari Vasudevan, *Professor*, Department of History, University of Calcutta,
Kolkata

CHIEF ADVISOR

Sanjay K. Jain, *Professor*, Delhi School of Economics, University of Delhi,
Delhi

MEMBERS

Anand Saxena, *Reader*, Deen Dayal Upadhyaya College, University of Delhi,
Delhi

Davinder K. Vaid, *Professor*, DESSH, NCERT, New Delhi

Garima Gupta, *Lecturer*, PGDAV College, University of Delhi, Delhi

G.L. Tayal, *Reader*, Ramjas College, University of Delhi, Delhi

J.K. Parida, *Professor*, Department of Commerce, Utkal University,
Bhubaneswar, Odisha

K.V. Achalapati, *Professor and Head*, Department of Commerce, Osmania
University, Hyderabad

M.M. Goyal, *Reader*, PGDAV College, University of Delhi, Delhi

M. Usha, *Associate Professor*, University College of Commerce and Business
Management, Osmania University, Hyderabad

Pooja Dasani, *PGT*, Convent of Jesus and Mary School, Gol Dakkhana,
New Delhi

Shailendra Nigam, NIILM Centre for Management Studies, Sher Shah Suri
Marg, New Delhi

MEMBER-COORDINATOR

Minoo Nandrajog, *Reader*, DESSH, NCERT, New Delhi

THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a ¹**[SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC]** and to secure to all its citizens :

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity and to promote among them all;

FRATERNITY assuring the dignity of the individual and the ²[unity and integrity of the Nation];

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949 do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

1. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
2. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Unity of the Nation" (w.e.f. 3.1.1977)

ACKNOWLEDGEMENT

The National Council of Educational Research and Training acknowledges the valuable comments and suggestions of the following, while preparing the textbook: Professor D.P. Sharma, *Former Vice Chancellor*, Barkatullah University, Bhopal; S.K. Bansal, *PGT Commerce* (Retired), Commercial Senior Secondary School, Darya Ganj, Delhi; Vijay Kumar Yadav, *PGT Commerce*, Kendriya Vidyalaya, Jawaharlal Nehru University Campus, New Delhi; K. Vasudeva Murthy, *Lecturer in Commerce*, Mahajana's Pre-University College, Jayalaxmipuram, Mysuru; Dwarikanath Mishra, *PGT Commerce*, DAV School, Unit-8, Bhubaneswar, Odisha.

Special thanks are due to Savita Sinha, *Professor and Head*, Department of Education in Social Sciences and Humanities for her constant support and guidance at every stage of the textbook development process.

The Council also gratefully acknowledges the contribution of Shivani Nagrath, *Post Graduate Teacher*, Summerfield School, New Delhi in the review and updation of textual content in the context of recent developments in business scenario and The Companies Act 2013. The efforts of the administrative staff of the Department is thankfully acknowledged for bringing the textbook in its present form.

Last but not the least, the Publication Division of NCERT is acknowledge for printing this textbook.

NOTE TO THE TEACHER

This textbook is expected to provide a good understanding of the environment in which a business operates. A manager has to analyse the complex, dynamic situations in which a business is placed. Therefore, content enrichment in the form of business news and abstracts of articles from business journals and magazines has been given as inset material (boxes). This will encourage students to be observant about all business activity and discover what is happening in business organisations with the expectation that they will update their knowledge through the use of libraries, newspapers, business-oriented TV programmes and the Internet. The textbook is updated in the light of The Companies Act 2013 and the content is modified in accordance to the new provisions of the Act 2013 in respective chapters.

CONTENTS

FOREWORD		iii
PART I	FOUNDATIONS OF BUSINESS	1
CHAPTER 1	Business, Trade and Commerce	2
CHAPTER 2	Forms of Business Organisation	27
CHAPTER 3	Private, Public and Global Enterprises	60
CHAPTER 4	Business Services	83
CHAPTER 5	Emerging Modes of Business	118
CHAPTER 6	Social Responsibilities of Business and Business Ethics	145
PART II	CORPORATE ORGANISATION, FINANCE AND TRADE	164
CHAPTER 7	Formation of a Company	165
CHAPTER 8	Sources of Business Finance	186
CHAPTER 9	Small Business	213
CHAPTER 10	Internal Trade	231
CHAPTER 11	International Business	261
FORM NO. INC-1	Application for reservation of Name	309

CONSTITUTION OF INDIA

Part III (Articles 12 – 35)

(Subject to certain conditions, some exceptions
and reasonable restrictions)

guarantees these

Fundamental Rights

Right to Equality

- before law and equal protection of laws;
- irrespective of religion, race, caste, sex or place of birth;
- of opportunity in public employment;
- by abolition of untouchability and titles.

Right to Freedom

- of expression, assembly, association, movement, residence and profession;
- of certain protections in respect of conviction for offences;
- of protection of life and personal liberty;
- of free and compulsory education for children between the age of six and fourteen years;
- of protection against arrest and detention in certain cases.

Right against Exploitation

- for prohibition of traffic in human beings and forced labour;
- for prohibition of employment of children in hazardous jobs.

Right to Freedom of Religion

- freedom of conscience and free profession, practice and propagation of religion;
- freedom to manage religious affairs;
- freedom as to payment of taxes for promotion of any particular religion;
- freedom as to attendance at religious instruction or religious worship in educational institutions wholly maintained by the State.

Cultural and Educational Rights

- for protection of interests of minorities to conserve their language, script and culture;
- for minorities to establish and administer educational institutions of their choice.

Right to Constitutional Remedies

- by issuance of directions or orders or writs by the Supreme Court and High Courts for enforcement of these Fundamental Rights.