

BUSINESS STUDIES-1<sup>ST</sup> COMMERCE-B SECTION  
CHAPTER-1 NATURE OF BUSINESS

**BUSINESS:**Business is any occupation in which people regularly engage in activities related to purchase production or sale of goods and services with the view of earning profits.

**CHARACTERISTICS OF BUSINESS ACTIVITIES.**

1. **AN ECONOMIC ACTIVITY.**It is an economic activity because it is undertaken with the aim of earning profit.
2. **PRODUCTION OR PROCUREMENT OF GOODS AND SERVICES:**Every business enterprise either produces goods or acquires from the producers to be further sold to the consumers. Goods may be consumer goods or capital goods.Consumer goods are consumable goods daily use such as sugar, ghee pen etc.Capital goods are goods like machinery furniture etc. Services are facilities offered to consumers like transportation, banking electricity etc.
3. **SALE OR EXCHANGE OF GOODS AND SERVICES:**Business involves transfer of goods and services for value. If goods are produced not for the purpose of sale and is for personal consumption it cannot be called as business
4. **DEALING IN GOODS AND SERVICES ON A REGULAR BASIS:** Business involves dealing in goods and services on a regular basis. One single transactions of purchase or sale cannot be considered as business.
5. **PROFIT EARNING.**The main aim of business is to earn income by way of profit. Profit is necessary for survival, growth, expansion and extension and to meet the expenses of business. So every businessmen make all efforts to maximize profits by increasing sales and reducing cost.
6. **UNCERTAINTY OF RETURNS:** Every business invests money to run the business with the aim of earning profit. But what will be the amount of profits or what will be the amount of losses is not certain.
7. **ELEMENT OF RISK:** Risk is uncertain. It is caused by unfavourable events. Like change in fashion, method of production, strike, increased competition, fire theft accidents and natural calamities.
8. **CAPITAL INVESTMENT:** Business may be big or small but investment is a must to all kinds of business.

**PROFESSION:**Profession are those activities which require special knowledge and skill to be applied by individuals in their occupation. Eg doctors lawyers etc.

**EMPLOYMENT:** It refers to the occupation in which people work for others and get remunerated in return.

**CLASSIFICATION OF BUSINESS ACTIVITIES.**

**BUSINESS CAN BE CLASSIFIED INTO TWO MAIN CATEGORIES.**

1. **INDUSTRY**
2. **COMMERCE.**

**INDUSTRY:**It refers to economic activities which are connected with the conversion of resources into useful goods.

Industries are classified into three categories

1. Primary      2) Secondary      3) Tertiary

1. **PRIMARY INDUSTRIES:** These include those activities which are connected with the extraction and production of natural resources and reproduction of living organism and plants etc.

Primary industries are classified into two categories

- a. **Extractive industries :** These industries extract products from natural sources or natural environment. eg Farming, mining fishing etc

- b. Genetic industries: These industries are engaged in breeding of plants and animals for reproduction. Eg. Nurseries, breeding farms, poultry farms fish hatchery.etc.
- 2. SECONDARY INDUSTRIES. These are concerned with using materials which have already been extracted at the primary stage. These industries process materials for final consumption. Eg. Mining of an iron ore is primary industry but manufacturing of steel is secondary industry.

Secondary industries can be further divided

- a. Manufacturing industries: these industries are engaged in producing goods through processing of raw materials into finished goods. They are engaged in conversion of raw materials into partly finished goods and then into finished products by their manufacturing operations. Manufacturing industries may be further divided into four categories

1) Analytical industries- these analyses and separates different elements from same material . Eg Oil industries, Sugar industries , Petroleum industries etc.

2) Sythetical industries-These combines various ingredients into new product.Eg Cement industries, textile industries, pharmaceutical industries etc.

3) Processing industries- These industries involves successive stages for manufacturing finished products Eg : Sugar industries, Paper industries.

4) Assembling industries: These industries assembles different component parts to make a new product Eg. Television, machineries, car computer etc.

B) CONSTRUCTION INDUSTRIES. These industries are involved in the construction of buildings, roads , dams, bridges, tunnels, canals etc.

C) TERTIARY INDUSTRIES:These industries provide service facilities like transport banking, insurance , warehousing, advertising etc.