

BAL BHARATI PUBLIC SCHOOL, PITAMPURA

SESSION 2020-21

BUSINESS STUDIES

CHAPTER-1

NATURE AND PURPOSE OF BUSINESS

CLASSIFICATION OF BUSINESS ACTIVITIES

- INDUSTRY**
- COMMERCE**

Industry

Industry refers to economic activities, which are connected with conversion of resources into useful goods.

Industries can be divided into 3 broad categories –

- ❑ Primary industry
- ❑ Secondary industry
- ❑ Tertiary industry –

Primary industries

Primary industries are involved in the growing, harvesting, extracting, etc.

These include all those activities, which are connected with the extraction and production of natural resources and reproduction and development of living organisms, plants etc.

Example would be dairy farming, mining, etc

Primary industries also create the basic materials for use in other industries, such as growing and harvesting wheat that can then be turned into bread .

Primary Industry is of 2 types

– Extractive and Genetic

Extractive industry

Essentially the extractive industry is concerned with the physical extraction of metals, minerals and aggregates from the Earth.

Eg Mining, Fishing, etc.

GENETIC INDUSTRY

Genetic Industries are such industries in which certain species of plants and animals are multiplied and reproduced. Examples of genetic industries are nurseries where plants are grown for the the sale; poultry farm where birds are raised for meat and eggs; animal husbandry where cattle are raised for milk and leather, and sheeps for meat and wool, orchard to harvest different kinds of fruits and agriculture or farming for growing crops.

Secondary industry

Unlike a primary industry, which collects and produces raw materials for manufacture, **a secondary industry makes products that are more likely to be consumed by individuals.** Examples of secondary industry divisions include automobile manufacturing, steel production , etc.

Secondary Industry creates form utility by changing the form of raw material into finished goods.

Secondary Industry is of 2 types : manufacturing and construction

Tertiary industry

These are concerned with providing support services to primary and secondary industries as well as activities relating to trade.

These industries provide service facilities.

Included in this category are transport, banking, insurance, warehousing, communication, packaging and advertising.

Commerce



It refers to all those activities which are necessary for facilitating the exchange of goods and services. It includes all those activities which directly or indirectly help in the distribution of goods to the consumer. It provides the necessary link between producers and consumers by maintaining a free flow of goods and services between them.

It includes 2 types of activities:

- Trade
- Aids/Auxiliaries to trade

Classification of commerce

•TRADE

It refers to buying and selling of goods and services. In other words it includes sale, transfer or exchange of goods. Traders act as a link between manufacturers and the customers. In the absence of traders, the manufacturer will have to search for consumers and the consumer will have to search for the manufacturers.

Trade can be classified into 2 types

- ✓Internal trade
- ✓External trade

▪ INTERNAL TRADE

It refers to buying and selling of goods and services within the geographical boundary of a country. It is also known as home trade.

It can be of 2 types

- Wholesale trade
- Retail trade

✓ WHOLESALE TRADE

It refers to buying and selling of goods and services in a large quantities. Generally a wholesaler is specialized in one line of product and maintains a large stock. He acts as a link between manufacturer and the retailer

✓ RETAIL TRADE

It refers to buying and selling of goods and services in small quantities. The retailer acts as a link between the wholesaler and the ultimate consumer.

EXTERNAL TRADE

It refers to buying and selling of goods and services beyond the geographical boundaries of the country. It is also known as foreign trade.

It is of 3 types

- ✓ Import Trade
- ✓ Export Trade
- ✓ Entrepot Trade

❑ IMPORT TRADE

It refers to buying of goods from a foreign country

❑ EXPORT TRADE

It refers to the sale of goods to a foreign country.

❑ ENTREPOT TRADE

It refers to the import of goods for the purpose of export. The goods are not meant for consumption in the home country.

•AIDS TO TRADE

Trade or exchange of goods involves several difficulties, which are removed by auxiliaries known as aids to trade. It refers to all those activities, which directly or indirectly facilitates smooth exchange of goods and services

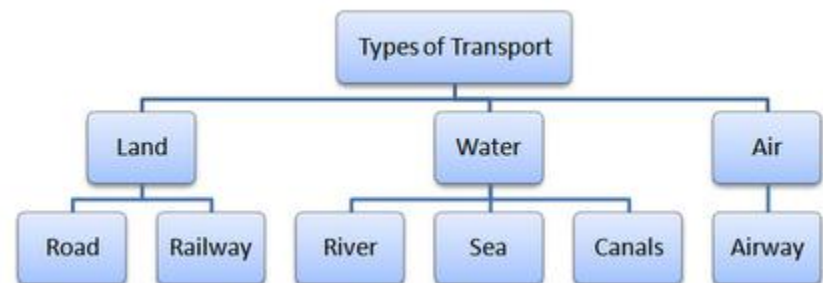


Aids to trade includes Transportation, Communication, Warehousing, Banking, Insurance, Advertising

1. Transportation

In the modern times there is a vast distance between centers of production and centers of consumption. This difficulty is removed by an important aid to trade known as transportation. Transportation creates place utility.

There are several kinds of transport such as air, water and land transport. The geographical distance between producers and consumers is removed with the help of transport.



2. Warehousing

There is a time gap between production and consumption. In other words, goods, which are produced at one time, are not consumed at the same time. Hence, it becomes necessary to make arrangements for storage or warehousing. Agricultural commodities like wheat and rice are seasonal in nature but are consumed throughout the year. On the other hand goods such as umbrellas and woolen clothes are produced throughout the year but are demanded only during particular seasons. Therefore goods need to be stored in warehouses till they are demanded. So it creates time utility by supplying the goods at right time to consumer

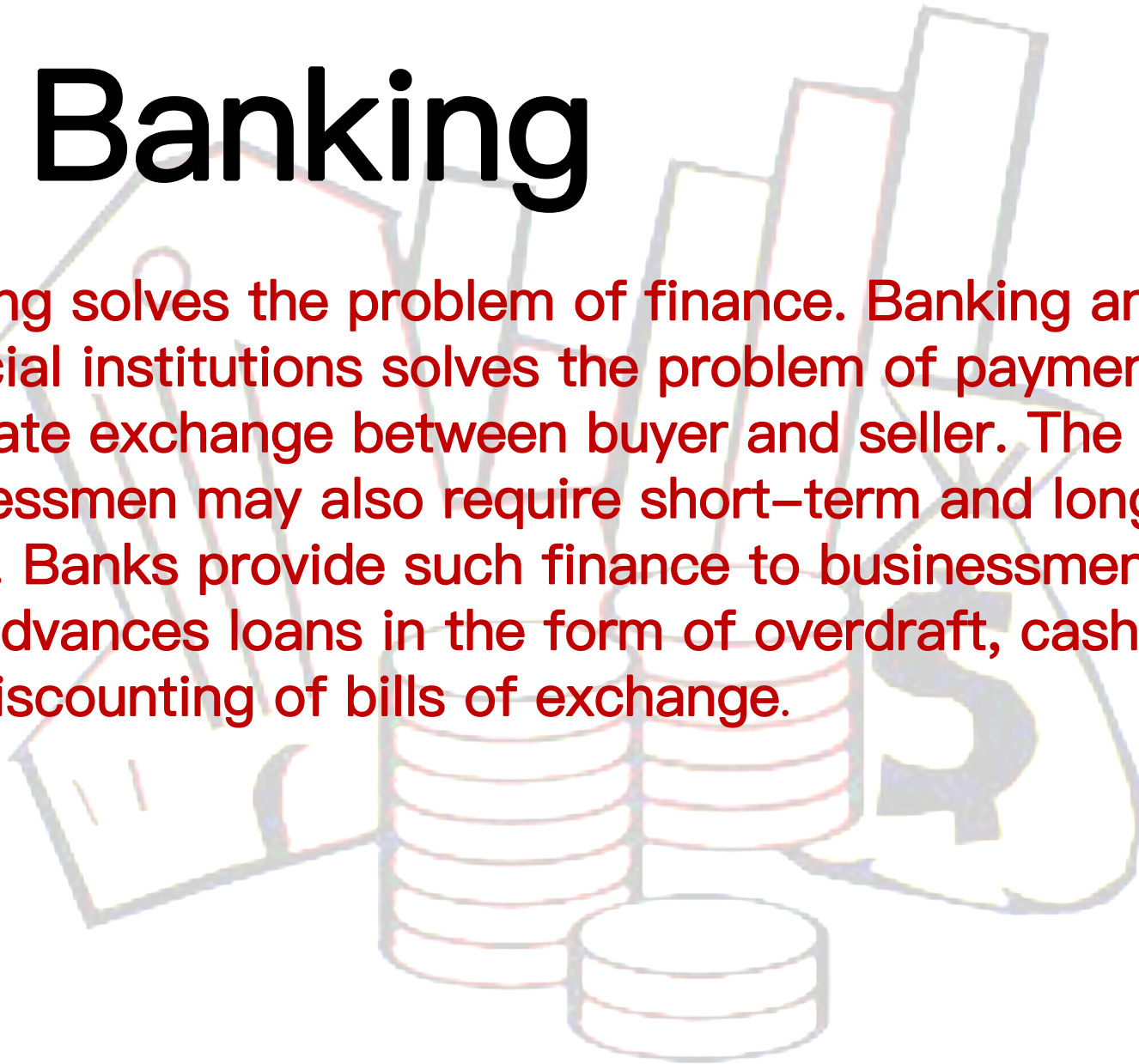
3. Insurance

Insurance reduces the problem of risks. Business is subject to risks and uncertainties. These are inevitable in the field of business. Risks may be due to fire, theft, accident or any other natural calamity. Insurance companies who act as risk bearer cover risks. Insurance tries to reduce risks by spreading them out over a greater number of people.



4. Banking

Banking solves the problem of finance. Banking and financial institutions solve the problem of payment and facilitate exchange between buyer and seller. The businessmen may also require short-term and long-term funds. Banks provide such finance to businessmen. Banks also advance loans in the form of overdraft, cash credit and discounting of bills of exchange.



5. Advertising

Advertising fills the knowledge gap and it solves the difficulty of information. Advertising helps the consumers to know about the various brands manufactured by several manufacturers. The medias used to advertise products are Radio, Newspapers, Magazines, TV, Internet, etc.