

Economic Activities

Beginning with the Nature and Purpose of Business Class 11 notes, we talk about economic activities. Economic activities have been referred to as those activities that people undertake to fulfil an object, which is to earn money. Examples of economic activities are producing the goods in factories, selling of goods by a retailer or wholesaler, etc. The class 11 notes on Nature and Purpose of Business is incomplete without mentioning the types of economic activities. Having said that, the economic activities can be divided into 3 categories, namely:

- Business
- Profession
- Employment

Non-Economic Activities

Having discussed economic activities, let us now also understand what non-economic activities are in our nature and purpose of business class 11 notes.. As per the chapter, non-economic activities are referred to as those activities which are undertaken with to achieve a different objective than the economic activities. The motive or objective is to get personal as well as psychological satisfaction. Examples can be donating food to the needy, going to temple, charity, social services etc.

What is Business?

We now understand what is a business in nature and purpose of business class 11 notes. According to Lewis Honey, “Business is a human activity directed towards producing or acquiring wealth through buying and selling goods”.Business is a comprehensive spectrum word or terminology that includes all the occupations and activities people perform to earn an income either by production or purchase and sale/exchange of goods and services. They are engaged in these activities to satisfy their needs and the needs of other people. The main objective is always to earn a profit.

Characteristics of Business Activities

Next in nature and purpose of business class 11 notes, we examine the characteristics of business activities. The following are the important characteristics of business activities that you all must be knowing while preparing your class 11 notes. These characteristics are:

- It is an economic activity as it is undertaken to earn money
- Production and procurement of goods and services
- Sale and exchange of goods and services
- Profit earning as it is one of the core reasons to perform business activities
- Dealing with goods and services regularly
- Uncertainty of return as there is always a possibility of losses despite the best of the business's efforts.
- The element of risk factor

Comparison of Business, Profession and Employment

According to the NCERT Business Studies Chapter 1 of Nature and Purpose of Business Class 11 notes, the following table will provide you with a brief comparison of business, profession and employment.

COMPARISON OF BUSINESS, PROFESSION AND EMPLOYMENT

Basic	Business	Profession	Employment
1. Mode of establishment	Entrepreneur's decision and other legal formalities, if necessary	Membership of a professional body and certificate of practice	Appointment letter and service agreement
2. Nature of work	Provision of goods and services to the public	Rendering of personalised, expert services	Performing work as per service contract or rules of service
3. Qualification	No minimum qualification is necessary	Expertise and training in a specific field is a must	Qualification and training as prescribed by the employer
4. Reward or return	Profit earned	Professional fee	Salary or wages
5. Capital investment	Capital investment required as per size and nature of business	Limited capital needed for establishment	No capital required
6. Risk	Profits are uncertain and irregular; risk is present	Fee is generally regular and certain; some risk	Fixed and regular pay; no risk
7. Transfer of interest	Transfer possible with some formalities	Not possible	Not possible
8. Code of conduct	No code of conduct is prescribed	Professional code of conduct is to be followed	Norms of behaviour laid down by the employer are to be followed.

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The Classification Of Business Activities

Moving ahead with our nature and purpose of business class 11 notes, various business activities can be classified into 2 categories:

- Industry: the industry is an activity that converts raw materials into useful and finished goods. Industries can further be divided into three categories:
 1. A primary industry is referred to as all those industries concerned with the extraction of natural resources and reproduction of living species. This can be further classified into 2 categories:
 - Generic industries
 - Extractive industries

2. Secondary industries are those industries that make use of products which are extracted and produced by primary industries as their raw material. For example, the mining of iron ore is done by primary industry, but the secondary industry does the manufacturing of steel sheets. There are 2 kinds of secondary industries:
 3. Manufacturing industries
 4. Construction industries
3. Service industry which is also known as the tertiary industry. It is concerned with providing services which can facilitate a smooth flow of goods and services. Examples can be banking, transportation, insurance, warehousing etc.
 - Commerce: the term commerce is referred to all those activities that indirectly or directly help distribute goods to the end consumers and customers.

Functions Of Commerce

As explained above in the definition of commerce, let us now understand some of the important functions of commerce as per our nature and purpose of business class 11 notes. The functions of commerce help in removing the following hindrances such as:

- Hindrance of person
- Hindrance of place
- Hindrance of time
- Hindrance of exchange
- Hindrance of risk

Classification of Commerce

Let us now move on in this blog on nature and purpose of business class 11 notes further by classifying commerce into different categories. As per the chapter of Nature and Purpose of Business Class 11, commerce can be classified into 2 categories:

1. Trade, which is an integral part of commerce and refers to buying and selling of goods and services. There are two types of trade under commerce:
 - Internal trade: it refers to buying and selling of goods and services within the geographical boundaries of the country. It is also called as home trade. Internal trade is further of two types:
 - Wholesale trade
 - Retail trade
 - External trade: the next category of trade is external trade which refers to buying and selling of goods and services beyond the geographical borders of the nation. It is called trade between two or more countries. It is of 3 types:
 - Imports

- Exports
- Entrepot

Aids/Auxiliaries to Trade

The following are some important aids or auxiliaries to trade in an economy according to nature and purpose of business class 11 notes.

- Transport and communication
- Banking and finance
- Insurance
- Warehousing
- Advertising

Objectives of Business

Moving on in our nature and purpose of business class 11 notes, let us now understand and know some of a business's objectives. Objectives are needed in every area that influences the survival and prosperity of business. Hence the main objectives of a business are:

- Market standing
- Productivity
- Innovation
- Physical and financial resources
- Earning profits
- Worker performance and attitude
- Manager performance and development
- Social responsibility

What is Business Risk?

As we have studied above, business risk is an important factor or an important element of the business. It will always remain a part of it till the time business exists. Business risk means the probability of losses or inadequate profits due to uncertain/unexpected/unwanted events and scenarios beyond our control. The nature of business risk is as follows:

- It arises due to uncertainties
- It is an essential part of every business
- Degree of risk depends upon nature as well as the size of the business
- Profit is the reward for bearing the risk

Causes of Business Risk

According to the nature and purpose of business class 11 notes, there are 4 main causes of business risk. These are:

- Natural causes
- Human causes
- Economic causes
- Other causes

Basic Factors to Start a Business

Here is the list of major factors that are required to commence or start a business. These factors are:

- Selection of line of business
- Size of the firm
- Choice of the form of ownership
- Location of business enterprises
- Physical facilities
- Financing the proposition
- Competent and Committed worked force
- Plant layout
- Tax planning
- Launching the enterprise