

Chapter -1

NATURE AND SCOPE OF BUSINESS

Introduction

As we are all aware of human beings undertake various activities to satisfy their needs and wants. These activities are known as Human Activities but why do they want to do any of such activities? Obviously, it is mainly to earn their livelihood. In this lesson we shall learn about all such activities, their categorization and some other related aspects like earning of adequate profits, exploring new markets, growth and optimum utilization of available resources, all are the Economic objectives of a business, Social objectives of a business include production of quality goods, reasonable pricing, and upliftment of the society, fair dealings and good return to the investors and human objectives include fair remuneration and incentives to the employees, better working conditions, job satisfaction, and promotional opportunities etc. and at last Commerce is the sum total of all activities involving removal of hindrances in the process of exchange of goods and services and facilitates the availability for consumption.

Important points from text

1. The activities in which individuals engage themselves on a regular basis and earn their livelihood are known as their '*occupations*'.

In fact everyone is engaged in one occupation or the other, and these can be broadly categorized as –

- (a) Profession;
- (b) Employment; and
- (c) Business.

2. Business objectives are something, which a business organization wants to achieve or accomplish over a specified period of time. The objectives of business may be classified as –

- (a) Economic objectives
- (b) Social objectives
- (c) Human objectives
- (d) National objectives
- (e) Global objectives

4. The role of profit in business:

Role of profit in business

- Essential for Survival
- Reward for Shareholder
- Helps in Hiring Better Employees
- Affects Business Market Value
- Affects the Ability to Borrow
- Measures Management Effectiveness
- Attracts Investors

5. **Nature of Business Risk :**

- a) Uncertainty
- b) Profit is the Reward for Risk
- c) Difficult to Measure
- d) Essential Element of Business
- e) Variability

6. **Causes of Business Risks**

- a) Natural Causes
- b) Economic Causes
- c) Political Causes
- d) Human Causes
- e) Physical and Technical Causes

7. **Industry** primarily refers to all such business activities concerned with production/raising or processing of goods and services. It processes raw materials or semi-finished goods into finished goods.





Learn new words:

1. Auxiliaries to trade: - These are various activities that facilitate trade.
2. Business: - Activities involving regular production or purchase of goods and services for sale, with an object of earning profit are known as Business.
3. Economic Activities:- Human activities that are undertaken with an objective to earn the livelihood
4. Non Economic Activities: Activities undertaken to derive mere satisfaction
5. Profession: - All activities that require special knowledge and skill to be applied by an individual to earn living.
6. Employment: - When people render their services regularly for others and get the return in terms of wages/salary.

Evaluate yourself.

1. Mr.Varun wants to start a business and therefore help him to knowing business risk and its causes.
2. Ms Radhika wants to earn profit from her business and really excited to know the role of profits in business. Explain in detail.
3. Explain the purpose of economic and non economic activities with examples.
4. No business is risk free. Put light on this statement

Maximize your marks

- Learning new words and answer all the above questions.