

PROFICIENT ACADEMY, PUNE

**ORGANISATION OF
COMMERCE AND
MANAGEMENT**

STD. XI

MUGDHA KHANDKAR

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E-mail: findus@proficientacademy.com

INTRODUCTION TO COMMERCE AND MANAGEMENT

All human beings require different types of goods and services to satisfy their needs.

So they keep themselves busy and do some activity throughout their life.

All activities can be classified as *economic and non-economic* activities.

❖ Non-Economic Activities :

Non-economic activities are those human activities which are performed to satisfy personal, social, religious, cultural and sentimental requirement without monetary expectations.

For e.g. reading books, serving people, cooking by mother etc.

❖ Economic Activities :

Actions that involve production, distribution and consumption of goods and services at all levels within a society is called economic activity.

For e.g. worker working in a factory.

Thus, economic activities facilitates earning livelihood.

❖ Business

'organized efforts by an individual or group of individuals'.

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It is a systematic attempt by business persons to produce goods and services and sell them in the market, to reap the reward by way of profit. It satisfies multiple and complex needs of the society.

▪ **Definition of Business :**

Prof. Haney -

"Business activities are all those human activities which are directed towards the production and processing of wealth."

Prof. Pride, Hughes and Kapoor -

"The organized efforts of individuals to produce and sell for a profit, the goods and services that satisfy society's needs."

Characteristics/ Features of Business :

An Economic Activity:

Business is an economic activity as it is undertaken to earn money or livelihood.

It is not because of love, affection, feelings, sentiment etc.

Two Parties :

Every business transaction involves an *exchange*. Minimum two parties are required for exchange i.e. the *seller and the buyer*.

Business transaction is a result of an agreement between the buyer and the seller which may be oral or written.

Profit Motive :

The basic purpose of business is *to earn the profit from its activities either by increasing the volume of sales or reducing its costs*. It is the spine of business which keeps the business going on in the long term.

Production of Goods and Services :

Before exchanging the goods and services, they should be produced by business enterprises. Goods are either *manufactured or procured from the supplier, with the aim of selling it further to the consumers for profit*.

Exchange of Goods and Services :

Business involves transfer of goods and services *directly or indirectly with money or money's worth*.

Monetary exchange is the exchange with money e.g. buying notebook for cash.

In case of *Barter Exchange* goods and services are exchanged for some other goods and services.

e.g. wheat is exchanged for rice.

If goods are produced for own consumption, it cannot be called as a business activity but stitching of dress in a tailoring shop and taking stitching charges for that is a business activity. Similarly, if goods are donated or given as a gift then it cannot be considered as business activity.

Dealings in Goods and Services:

Every type of business transaction is concerned with *either goods or services*. In the absence of goods and services business cannot take place. These goods may be *consumer goods or capital goods*.

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However, services created for business purpose are intangible which are essential for doing the business e.g. transportation, banking, insurance etc.

Goods can be Consumer Goods (Tea, Milk, Pencil etc.) or Capital Goods (Machinery, Plant, Furniture etc.)

Continuity in Dealings:

Every business requires *regularity in transactions*. One single transaction does not constitute business.

e.g. If a person sells his own motor car and earns profit then it will not be considered as business activity. But if he is a car dealer so he sells and purchases cars regularly then, it is considered as business activity.

Uncertain Returns:

In business, the *returns are never predictable or guaranteed*. Businessman may earn profit or ensure a loss.

Element of Risk :

Risk is the key element of every business which is concerned with exposure to loss. It is due to some *unfavourable or undesirable* event. Every business will have some or the other risk.

Intensity of risk can be minimized but can't be avoided.

Certain factors are beyond the control of businessmen like changes in consumer tastes, likes-dislikes, fashions, changes in the methods of production, fire, theft, natural calamities etc.

No business is free from all above factors.

Customer Satisfaction:

Customer satisfaction is the *ultimate aim* of all economic activities and business is not exception to it.

Modern business believes in satisfying the customers by providing quality products and services at a reasonable price.

The purpose of the business is to *create and retain the customers*.

