

**ANSWER KEY**  
**ASSIGNMENT-1**  
**SUBJECT- BUSINESS STUDIES**  
**CH-1 NATURE AND PURPOSE OF BUSINESS**

**1 MARKS QUESTIONS**

1. Profession
2. Profit earning
3. Social objective
4. False

**3 MARKS QUESTIONS**

5. Insurance is known as a tertiary industry because it provides the facility of removing barriers of risk of loss due to theft, accidents, injury, etc.

6. Business has to fulfill Social objectives  
There are several multiple objectives of business-

1. Market standing
2. Innovation
3. Productivity
4. Physical and financial resources
5. Manager performance and development
6. Social responsibility

7. Working in a government hospital - An economic activity. Attending to the poor patients at home free of cost - A non - economic activity.

(ii) (a) Transportation : Transport (road , rail or coastal shipping) facilitates movement of raw materials to the place of production , and the finished goods from factories to the place of consumption . Transportation makes for speed and efficiency in exchange . It is because of transportation that a producer can sell his goods in different parts of the world . It creates place utility.

(b) Advertising : Advertising brings goods and services to the knowledge of prospective buyers. with the help of such knowledge , consumers can obtain better value for their money . Thus , advertising helps to promote the sale of products like electronic goods automobiles , soaps and detergents , etc . by providing information about them

**4 MARKS QUESTIONS**

8. Characteristics of business :

(i) An economic activity : " After completing their graduation , Salman and Ram decided to set up a flour mill to earn income." Business is considered to be an economic activity because it is undertaken with the object of earning money or livelihood.

(ii) Profit earning " they sold these under the brand name ' Desh ks Atta ' and earn a reasonable profit of 10% on cost." One of the main purposes of business is to earn money by way of profits . Profits is essential to cover costs and risks of the business . Every business must earn a reasonable profit to survive and grow.

(iii) Dealing in goods and services in a regular basis " They worked very hard to flourish the business on a regular basis. . . " Business involves dealings in goods or services on a regular or daily basis . One single transaction of sale or or purchase does not constitute business.

(iv) Element of risk " . . . , the flour mill caught fire ,and as a result they had to suffer a heavy loss" Risk implies the uncertainty of reward or the possibility of loss . there is always some element of risk involved in business , e.g ., fire , theft , accidents , etc.

9. The term business risk refers to the possibility of inadequate profits or even losses due to uncertainties or unexpected events. Business risks are of two types: speculative and pure.

**Speculative risks** involve both the possibility of gain as well as the possibility of loss. Speculative risks arise due to changes in market conditions, changes in prices or changes in fashion and tastes of customers.

**Pure risks** involve only the possibility of loss or no loss. The chances of fire, theft or strike are examples of pure risks.

**Nature of business risks can be understood in terms of the following characteristics.**

(i) Business risks arise due to uncertainties.

(ii) Risk is an essential part of every business.

(iii) The degree of risk depends mainly upon the nature and size of business.

(iv) Profit is the reward for risk-taking.

10. 1. Hindrance of time  
2. Warehousing as there is time lag  
between production and consumption  
3. This hindrance is seasonal

