



INDIAN SCHOOL MUSCAT
SENIOR SECTION
ELEMENTS OF BUSINESS
CLASS IX
UNIT II: OPERATIVE ACTIVITIES IN BUSINESS
NOTES 2

Various business activities may be classified into two broad categories — **industry and commerce**.

(1) **INDUSTRY is concerned with the production or processing of goods and materials.**

Industries may be divided into three broad categories namely primary, secondary and tertiary.

1. **Primary industries:** 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.

(i) **Extractive industries:** These industries extract or draw out products from natural sources. Important extractive industries include farming, mining, lumbering, hunting and fishing operations.

(ii) **Genetic industries:** These industries remain engaged in breeding plants and animals for their use in further reproduction. For the breeding of plants, the seeds and nursery companies are typical examples of genetic industries. In addition, activities of cattle-breeding farms, poultry farms, and fish hatchery come under the class of genetic industries.

2. **Secondary industries:** These industries process such materials to produce goods for final consumption or for further processing by other industrial units. For example, mining of an iron ore is a primary industry, but manufacturing of steel by way of further processing of raw iron is a secondary industry. Secondary industries may be further divided as follows:

Manufacturing industries: These industries are engaged in producing goods through processing of raw materials and thus creating form utilities.

(i) **Analytical industry** which analyses and separates different elements from the same materials, as in the case of oil refinery.

(ii) **Synthetical industry** which combines various ingredients into a new product, as in the case of cement.

(iii) **Processing industry** which involves successive stages for manufacturing finished products, as in the case of sugar and paper.

(iv) **Assembling industry** which assembles different component parts to make a new product, as in the case of television, car, computer, etc.

(v) **Construction industries:** These industries are involved in the construction of buildings, dams, bridges, roads as well as tunnels and canals. Engineering and architectural skills are an important part in construction industries.

3. **Tertiary industries:** These are concerned with providing support services to primary and secondary industries as well as activities relating to trade. Included in this category are transport, banking, insurance, warehousing, communication, packaging and advertising.

- **CAPITAL INTENSIVE INDUSTRY** refers to a business process or an **industry** that requires large amounts of money and other financial resources to produce a good or service. Companies in **capital-intensive industries** are often marked by high levels of depreciation and fixed assets on the balance sheets.
- **LABOUR INTENSIVE INDUSTRIES** that produce goods or services requiring a large amount of **labour**. Traditionally, **labour intensive industries** were determined by the amount of capital needed to produce the goods and services. Examples of **labor intensive industries** include agriculture, mining, hospitality and food service.

II.COMMERCE

Commerce includes all those activities which are necessary for facilitating the exchange of goods and services.

Commerce includes two types of activities, viz., (i) trade and (ii) auxiliaries to trade.

- Buying and selling of goods is termed as trade.**
- But there are a lot of activities that are required to facilitate the purchase and sale of goods. These are called services or auxiliaries to trade** and include transport, banking, insurance, communication, advertisement, packaging and warehousing.

Trade may be classified into two broad categories — internal and external.

Internal, domestic or home trade is concerned with the buying and selling of goods and services within the geographical boundaries of a country.

This may further be divided into wholesale and retail trade.

- When goods are purchased and sold in bulk, it is known as **wholesale trade**.
- When goods are purchased and sold in comparatively smaller quantities, for final consumption it is referred to as **retail trade**.
- External or foreign trade consists of the exchange of goods and services between persons or organisations operating in two or more countries.
- If goods are purchased from another country, it is called **import trade**.
- If they are sold to other countries, it is known as **export trade**.
- When goods are imported for export to other countries, it is known as **entrepot trade**

AIDS TO TRADE

- (a) **Transport and Communication:** Transport facilitates movement of raw material to the place of production and the finished products from factories to the place of consumption. Along with the transport facility, there is also a need for communication facilities so that producers, traders and consumers may exchange information with one another. Thus, postal services and telephone facilities may also be regarded as auxiliaries to business activities.
- (b) **Banking and Finance:** Business activities cannot be undertaken unless funds are available for acquiring assets, purchasing raw materials and meeting other expenses. Necessary funds can be obtained by businessmen from a bank. Thus, banking helps business activities to overcome the problem of finance. Commercial banks generally lend money by providing overdraft and cash credit facilities, loans and advances. Banks also undertake collection of cheques, remittance of funds to different places, and discounting of bills on behalf of traders.
- (c) **Insurance:** Business involves various types of risks. Factory building, machinery, furniture etc. must be protected against fire, theft and other risks. Materials and goods held in stock or in transit are subject to the risk of loss or damage. Employees are also required to be protected against the risks of accident and occupational hazards. Insurance provides protection in all such cases. On payment of a nominal premium, the amount of loss or damage and compensation for injury, if any, can be recovered from the insurance company.
- (d) **Warehousing:** Usually, goods are not sold or consumed immediately after production. They are held in stock to make them available as and when required. Special arrangement must be made for storage of goods to prevent loss or damage. Warehousing helps business firms to overcome the problem of storage and facilitates the availability of goods when needed. Prices are thereby maintained at a reasonable level through continuous supply of goods.
- (e) **Advertising:** Advertising is one of the most important methods of promoting the sale of products, particularly, consumers goods like electronic goods, automobiles, soaps, detergents etc. Thus, for promoting sales, information about the goods and services available, their features, price, etc., must reach potential buyers. Also there is a need to persuade potential buyers about the uses, quality, prices, competitive information about the goods and services etc. Advertising helps in providing information about available goods and services and inducing customers to buy particular items.
- (f) **E-Commerce** - E-commerce is the activity of buying or selling of products on online services or over the internet.
- (g) **M-Commerce** - M-commerce (stands for mobile commerce) is the buying and selling of goods and services through wireless handheld devices such as cellular telephone and personal digital assistants (PDAs).