



Handout

Subject – Business Studies

Class - XI

Chapter 1 – Business, Trade & Commerce (Module 3/3)

Brief description of module:

This module covers the following topics-

Objectives of Business: The objective of business means the purpose for which a business is established and carried on. Proper selection of objectives is essential for the success of a business.

Business Risk: Business risk refers to the possibility of inadequate profits or even losses due to uncertainties or unexpected events. For example: demand for a particular product may decline due to change in tastes preferences of consumers, or increase in competition etc. There are two types of business risks:

Nature of Business Risks

1. Business risks arise due to uncertainties.
2. Risk is an essential part of every business.
3. Degree of risk depends mainly upon the nature and size of business.
4. Profit is the reward for risk taking.

Causes of Business Risks

1. Natural Causes: Human beings have little control over natural calamities like flood, earthquake, famine etc. They result in heavy losses of life, property & income in business.
2. Human Causes: Human causes include such unexpected events like dishonesty, carelessness or negligence of employees, strikes, riots, management inefficiency etc.
3. Economic causes: They are related to a chance of loss due to change in market condition e.g., fluctuations in demand and prices, competition, change in technology etc.
4. Physical causes: Mechanical defects or failures may also lead to losses e.g., bursting of boiler or machine may cause death or destruction.
5. Other causes: These include unforeseen events like political disturbances, fluctuation in exchange rates etc

Starting a Business: Basic Factors

Selecting the line of business: The first thing to be decided by the entrepreneur is the line and type of business to be undertaken.

1. Scale or size of business.
2. Choice of form of Business organization.
3. Location of Business Enterprise.
4. Financial Requirement.
5. Physical facilities.
6. Plant layout.
7. Competent and committed Workforce.
8. Tax planning.
9. Setting up of the Enterprise.