

ANSWER KEY & MARKING SCHEME · CBSE CLASS 11**Business, Trade and Commerce**

Business Studies · Chapter 1 · Use this with the Board Paper · Companion to Quick Drill

HOW TO USE

Attempt the Board Paper first (closed-book, full time). Then come here. For 2-mark+ questions, compare your answer to the model. For 3-4 mark questions, also consult the **Topper Templates** below — these show the exact step-by-step structure that scores full marks per CBSE marking-scheme conventions.

MODEL ANSWERS · BOARD PAPER**Section A — Very Short Answer (1 mark each)****Q1. Define business. [1 mark]**

Ans: Business is an economic activity involving the regular production or purchase and sale of goods and services with the motive of earning profit and satisfying human wants.

Q2. What is the reward earned in a profession called? [1 mark]

Ans: A fee.

Q3. Name the indigenous instrument used to transfer money and provide credit in early Indian commerce. [1 mark]

Ans: The hundi.

Q4. Under which type of industry is the construction of roads and dams classified? [1 mark]

Ans: Secondary industry (construction type).

Section B — Short Answer I (3 marks each)**Q5. State any three characteristics of business. [3 marks]**

Ans: (1) It is an economic activity carried on to earn money/livelihood. (2) It involves the production or procurement of goods and services for sale, not self-consumption. (3) It requires regularity of dealings — a single isolated transaction is not business. (Other valid points: profit motive; element of risk and uncertain return.)

Q6. What is business risk? State any two of its causes. [3 marks]

Ans: Business risk is the possibility of inadequate profit or loss due to uncertainties and unforeseen events in business; it is inherent and can be reduced but not eliminated. Causes (any two): NATURAL — floods, earthquakes, fire; ECONOMIC — changing demand, competition, price/technology changes; HUMAN — negligence, strikes, dishonesty, theft; OTHER — political change or policy/tax changes.

Section C — Short Answer II (4 marks each)**Q7. Distinguish between business, profession and employment on any four bases. [4 marks]**

Ans: (1) MODE OF ESTABLISHMENT — Business: after legal formalities; Profession: membership of a professional body + certificate of practice; Employment: joining service after appointment. (2) QUALIFICATION — Business: none fixed; Profession: prescribed qualification + training; Employment: as per the job. (3) REWARD — Business: profit (variable); Profession: fee (regular); Employment: salary/wage (fixed). (4) CAPITAL & RISK — Business: large capital, high risk; Profession: limited capital, moderate risk; Employment: no capital, little/no risk.

Q8. Explain any four auxiliaries (aids) to trade, naming the hindrance each one removes. [4 marks]

Ans: (1) TRANSPORT — removes the hindrance of PLACE by carrying goods from producers to distant markets. (2) WAREHOUSING — removes the hindrance of TIME by storing goods until they are demanded, creating time utility. (3) INSURANCE — removes the hindrance of RISK by compensating for losses from fire, theft, and transit damage against a premium. (4) BANKING — removes the hindrance of FINANCE by providing loans, overdrafts, and remittance/collection services. (Advertising — removes the hindrance of INFORMATION — is also valid.)

Section D — Long Answer (6 marks each)

Q9. Classify business activities and explain the different types of industry with one example of each. [6 marks]

Ans: Business activities are classified into two broad categories — INDUSTRY (production and processing of goods) and COMMERCE (distribution through trade + auxiliaries). The types of INDUSTRY are: (1) PRIMARY — concerned with extraction and reproduction of natural resources: (a) EXTRACTIVE, drawing products from soil/water/air, e.g. mining, fishing; (b) GENETIC, reproducing and multiplying plants/animals, e.g. plant nurseries, poultry farms. (2) SECONDARY — processing materials already extracted: (a) MANUFACTURING, converting raw/semi-finished materials into finished goods, e.g. a sugar mill; (b) CONSTRUCTION, building infrastructure, e.g. roads, dams, bridges. (3) TERTIARY / SERVICE — providing support services to industry and trade, e.g. transport, banking, insurance, warehousing, advertising. The flow is: primary taps nature → secondary transforms it → tertiary services both.

Q10. 'Profit is not the only objective of business.' Explain the multiple objectives of business and the role of profit. [6 marks]

Ans: Modern business pursues MULTIPLE objectives, not profit alone. Following Peter Drucker, these include: MARKET STANDING (a secure share against competitors), INNOVATION (in products and processes), PRODUCTIVITY (optimum input-output ratio), securing PHYSICAL & FINANCIAL RESOURCES, PROFITABILITY (an adequate return), MANAGER PERFORMANCE & DEVELOPMENT, WORKER PERFORMANCE & ATTITUDE, and SOCIAL RESPONSIBILITY toward consumers, employees, and society. PROFIT remains essential but is one objective among many: it is the REWARD for the entrepreneur's risk-bearing, a SOURCE of finance for growth (ploughed-back profits), a MEASURE of efficiency, and a means of building reserves to survive bad years. However, treating profit as the SOLE objective endangers long-run survival by causing neglect of customers, employees, and society. Hence profit is necessary and important — but it is the reward and the means, not the only purpose, of business.

★ TOPPER ANSWER TEMPLATES

3 TEMPLATES · MEMORISE THE FORMAT

★ TOPPER TEMPLATE — 5-mark: 'Classify business activities and explain the types of industry.'

Most terms

Step 1 [1 mark]	Two broad categories	Business activities are classified into two broad categories: (a) INDUSTRY — production and processing of goods, and (b) COMMERCE — distribution of goods and services through trade plus auxiliaries to trade.
Step 2 [2 marks]	Primary industry (extractive + genetic)	PRIMARY industries extract or reproduce natural resources. (i) EXTRACTIVE — draw products from soil, air, water (mining, fishing, hunting, farming-of-crops harvesting). (ii) GENETIC — reproduce and multiply certain plants and animals for sale (nurseries, poultry farms, cattle breeding, seed/plant farms).
Step 3 [1 mark]	Secondary industry (manufacturing + construction)	SECONDARY industries process materials already extracted. (i) MANUFACTURING — convert raw materials/semi-finished goods into finished goods (analytical, synthetic, processing, assembling). (ii) CONSTRUCTION — build infrastructure such as buildings, roads, dams, bridges (immovable, sold on site).
Step 4 [1 mark]	Tertiary / service industry	TERTIARY industries provide SUPPORT services to primary and secondary industries and to trade — transport, banking, insurance, warehousing, communication, advertising. They aid the flow of goods rather than producing them.

COMMON LOSS OF MARKS:

- Calling construction a tertiary/service industry (it is secondary).
- Forgetting the extractive vs genetic split within primary.
- Listing types without one example each.

★ **TOPPER TEMPLATE — 5-mark: 'Explain any 5 auxiliaries (aids) to trade.'**

Annual

Step 1 [1 mark]	Transport & communication	TRANSPORT removes the PLACE hindrance — it carries raw materials to factories and finished goods to distant markets (rail, road, air, water). COMMUNICATION (post, telephone, internet) links buyers and sellers and removes the hindrance of information.
Step 2 [1 mark]	Banking & finance	BANKING removes the hindrance of FINANCE — banks provide working capital, loans, overdrafts, and remittance/collection services, and help in collecting payments for goods sold on credit, especially in foreign trade.
Step 3 [1 mark]	Insurance	INSURANCE removes the hindrance of RISK — it covers losses from fire, theft, accidents, and transit damage by compensating the insured against an agreed premium, giving traders confidence to operate.
Step 4 [1 mark]	Warehousing	WAREHOUSING removes the hindrance of TIME — goods produced in one season but demanded throughout the year are stored safely, creating time utility and stabilising prices.
Step 5 [1 mark]	Advertising	ADVERTISING removes the hindrance of INFORMATION (knowledge) — it informs prospective buyers about products, features, and prices, bridging the gap between producers and widely-scattered consumers.

COMMON LOSS OF MARKS:

- Not linking each auxiliary to the SPECIFIC hindrance it removes (place/time/risk/finance/information).
- Confusing trade with auxiliaries — auxiliaries SUPPORT trade, they are not trade itself.

★ **TOPPER TEMPLATE — 4-5 mark: 'Distinguish between business, profession and employment.'**

Annual

Step 1 [1 mark]	Mode of establishment	BUSINESS: starts after fulfilling legal formalities. PROFESSION: starts after membership of a professional body and a certificate of practice. EMPLOYMENT: starts on joining service after appointment/letter.
Step 2 [1 mark]	Nature of work & qualification	BUSINESS: provision of goods/services, no minimum qualification fixed. PROFESSION: rendering of personalised expert service, needs prescribed qualification + training. EMPLOYMENT: performing work as per the service contract, qualification varies with the job.
Step 3 [1 mark]	Reward / return	BUSINESS earns PROFIT (uncertain, variable). PROFESSION earns a FEE (regular, professional). EMPLOYMENT earns a SALARY or WAGE (fixed, periodic).
Step 4 [1 mark]	Capital investment & risk	BUSINESS: large capital, high risk. PROFESSION: limited capital for establishment, moderate risk. EMPLOYMENT: no capital needed, no/low risk.
Step 5 [1 mark]	Transfer of interest & code of conduct	BUSINESS: interest is transferable. PROFESSION: not transferable, governed by a professional code (e.g. ICAI). EMPLOYMENT: not transferable, governed by service rules.

COMMON LOSS OF MARKS:

- Writing it as a paragraph instead of a comparison on each axis.
- Mixing up FEE (profession) with PROFIT (business) and SALARY (employment).

MARKING SCHEME — GENERAL NOTES

- In distinguish-type questions, each base of distinction must address all three (business/profession/employment) to earn its mark.
- Auxiliaries answers must NAME the specific hindrance (place/time/risk/finance/information) each one removes — describing the service alone earns only half marks.
- Real Indian examples (a sugar mill, poultry farm, Surat, ICAI) carry marks in conceptual answers.
- Listing without explanation loses marks — each point needs a short explanatory sentence.
- For the industry classification, construction must be placed under SECONDARY, never tertiary.