

FREE EDITION · NOTES + 3 SAMPLE MCQS

CUET · BUSINESS STUDIES · CLASS XI · CODE 305

Business, Trade and Commerce

CUET unit: Foundations of Business

By UniDrill · NCERT-grounded study material

WWW.UNIDRILL.IN

UniDrill



Snapshot

- Opening chapter of Class XI Business Studies; establishes the historical, conceptual and operational foundation of business as an economic activity.
- Traces trade in the Indian subcontinent from ancient Silk Route and maritime trade through indigenous banking (Hundi, Chitties), colonial decline, post-Independence planning, the 1991 reform package, and current Make in India / Digital India initiatives.
- Defines business and distinguishes it from profession and employment on eight bases (establishment, work, qualification, reward, capital, risk, transfer, conduct).
- Classifies business activities into industry (primary/secondary/tertiary) and commerce (trade + six auxiliaries — transport, banking, insurance, warehousing, advertising, communication).
- Develops the multi-objective view of business (market standing, innovation, productivity, physical and financial resources, profit, social responsibility) and treats business risk (speculative vs pure; natural/human/economic/other causes).
- Closes with eight factors to consider when starting a business and an NCERT definition of entrepreneurship that recurs across CUET papers.



Detailed Notes

2.1 Core concepts

Business sits inside the broader category of **economic activity** — "activities by which one earns one's livelihood" — and is distinct from non-economic activity such as love, sympathy and patriotism (NCERT §1.2, p. 8-9). Economic activity is split three ways: **business, profession and employment**. Business starts with production and ends with consumption, and is "a major economic activity concerned with the production and sale of goods and services with a view to satisfying human needs in society" (NCERT §1.1, p. 3).

Historical foundation of Indian trade: trading activities were the mainstay of the ancient Indian economy, carried out by both land and water routes; the **Silk Route** and **maritime trade** were the two prominent arteries (NCERT §1.1.1, pp. 4-8). To run trade at this scale, India developed **indigenous banking instruments** — most notably the

Hundi (literally 'to collect') and the **Chitty** (used in the southern region). A Hundi is a written instrument in vernacular language warranting unconditional payment of money and transferable by valid negotiation (NCERT §1.1.1, p. 4). Hundis are classified as **Darshani** (sight) — Dhani-jog, Sah-jog, Firman-jog, Dekhan-har — or **Muddati** (term/usance) — Dhani-jog, Firman-jog, **Jokhmi**. A **Jokhmi** hundi is drawn against dispatched goods, so if the goods are lost in transit the drawer/holder bears the cost and the drawee has no liability.

Ancient trade centres include Pataliputra (stones), Peshawar (wool exports, horse imports), Taxila (financial/commercial banks, Buddhist learning), Indraprastha, Mathura, Varanasi (textiles, gold silk), Mithila (trade with Java/Sumatra/Borneo), Ujjain, Surat (zari; Surat hundi honoured in Egypt and Iran), Kanchi, Madura (pearl fisheries of the Gulf of Mannar), Broach, Kaveripatta and Tamralipti (NCERT §1.1.1 box, pp. 5-7). The travellers who called India **Swaran Bhoomi and Swaran Deep** were Megasthenes, Faxian, Xuanzang, Al Beruni, Ibn Batuta and Francois Bernier; Angus Maddison data shows India controlled roughly one-third to one-fourth of world wealth between the 1st and 7th centuries CE (NCERT §1.1.1, p. 5-6). Colonial decline brought this to 5-10% of world wealth in 1850 and 2% in 1900, reversed after the post-1991 **three-pronged reform** of stabilisation, restructuring and globalisation, and current initiatives — Make in India, Skill India, Digital India (NCERT §1.1.1, p. 8).

Conceptual definition of business (NCERT §1.2, pp. 8-11): the word "business" is derived from "busy"; in a specific sense it refers to an occupation in which people regularly engage in activities related to purchase, production and/or sale of goods and services with a view to earning profits (NCERT §1.2, p. 8). The **seven characteristics of business** (NCERT §1.2.1, pp. 9-11) are: (i) an economic activity, (ii) production or procurement of goods and services, (iii) sale or exchange of goods and services, (iv) dealings in goods and services on a regular basis, (v) profit earning, (vi) uncertainty of return, (vii) element of risk. A single transaction — selling one's own domestic radio set once, even at a profit — is **not** business; regularity is the discriminator (NCERT §1.2.1 (iv), p. 10). The **Business vs profession vs employment** comparison in Fig 1.2 (pp. 11-12) sets out nine bases of distinction — mode of establishment, nature of work, qualification, reward (profit / professional fee / salary or wages), capital investment, risk, transferability of interest, code of conduct, examples.

Classification of business activities (NCERT §1.3, pp. 12-17): business activities split into **industry** (production/processing) and **commerce** (facilitates exchange). Industry has three branches: **Primary** — Extractive (farming, mining, lumbering, hunting, fishing) and Genetic (seeds/nursery, cattle breeding, poultry, fish hatchery); **Secondary** — Manufacturing and Construction; and **Tertiary** — support services like transport, banking, insurance, warehousing, communication, packaging and advertising. The four sub-types of manufacturing industry are **Analytical** (oil refinery — separates), **Synthetical** (cement — combines), **Processing** (sugar, paper — successive stages) and **Assembling** (television, car, computer). Commerce "removes the hindrances of persons, place, time, risk, finance and information" (NCERT §1.3.2, p. 15) — six

hindrances that map to the **auxiliaries to trade**: transport (place), warehousing (time), insurance (risk), banking (finance), advertising and communication (information), and middlemen/wholesalers (persons). On advertising and public relations: "Advertising is what you pay for and PR is what you pray for" (NCERT §1.3.3, p. 17).

Profit, objectives, risk and starting a business: five reasons profit is essential — source of income, source of finance for expansion, indicator of efficient working, society's approval of utility, and reputation-builder (NCERT §1.4, p. 18). Profit is only one of six **objectives of business** (NCERT §1.5, pp. 18-19): market standing, innovation (in product/service and in skills/activities), productivity (output value / input value), physical and financial resources, earning profits, and social responsibility. Business risk is "the possibility of inadequate profits or losses due to uncertainties or unexpected events" (NCERT §1.6, p. 19), and is split into **Speculative** (gain or loss — market conditions, demand/supply, prices, fashion) and **Pure** (only loss or no loss — fire, theft, strike). Four causes are catalogued: Natural, Human, Economic and Other (NCERT §1.6.2, pp. 20-21). The **eight factors for starting a business** (NCERT §1.7, pp. 21-23) are: selection of type of business, size, location, financing, physical facilities, competent and committed workforce, tax planning, and launching the enterprise (NCERT §1.7, p. 21).

2.2 Definitions to memorise

| Term | Definition | Page |
|-----------------------|--|------|
| Business | An economic activity involving the production and sale of goods and services undertaken with a motive of earning profit by satisfying human needs in society. | 9 |
| Economic activity | Activity by which one earns one's livelihood. | 8 |
| Non-economic activity | Activity performed out of love, sympathy, patriotism etc., not for earning livelihood. | 8 |
| Profession | Activity requiring specialised knowledge and skills, governed by professional bodies and a code of conduct; reward is professional fee. | 11 |
| Employment | Occupation in which a person works regularly for another and receives a salary or wage. | 11 |
| Hundi | An indigenous instrument (literally 'to collect') written in vernacular language, warranting unconditional payment of money and transferable by valid negotiation. | 4 |
| Darshani Hundi | Hundi payable at sight (on presentation). | 5 |
| Muddati Hundi | Hundi payable after a fixed term. | 5 |
| Jokhmi Hundi | A Muddati hundi drawn against dispatched goods; if goods are lost in transit, the drawer/holder bears the cost and the drawee has no liability. | 5 |

| Term | Definition | Page |
|----------------------|---|--------|
| Sah-jog Hundi | Darshani hundi payable to a 'respectable' person; drawer liable until payment is received by the named holder. | 5 |
| Industry | Economic activities connected with conversion of resources into useful goods, involving mechanical appliances and technical skills. | 12 |
| Primary industry | Industry concerned with extraction and production of natural resources (extractive + genetic). | 12 |
| Secondary industry | Industry that uses primary materials to produce goods for final consumption or further processing — manufacturing and construction. | 13 |
| Tertiary industry | Industry providing support services — transport, banking, insurance, warehousing, communication, packaging, advertising. | 14 |
| Analytical industry | Manufacturing industry that separates a basic material into several products (e.g., oil refinery). | 13 |
| Synthetical industry | Manufacturing industry that combines several materials into a new product (e.g., cement). | 13 |
| Commerce | All activities necessary for facilitating the exchange of goods and services; removes hindrances of persons, place, time, risk, finance and information. | 12, 15 |
| Trade | Sale, transfer or exchange of goods, either physical or virtual. | 15 |
| Auxiliaries to trade | Activities meant for assisting trade — transport, banking, insurance, warehousing, communication, advertising. | 15 |
| Warehousing | Holding stock between production and sale; creates time utility by overcoming the hindrance of time. | 16 |
| Profit | Excess of revenue over cost. | 18 |
| Productivity | The ratio of output value to input value, expressed as a percentage. | 18 |
| Business risk | Possibility of inadequate profits or even losses due to uncertainties or unexpected events. | 19 |
| Speculative risk | Risk involving both the possibility of gain and the possibility of loss (e.g. market fluctuations). | 19 |
| Pure risk | Risk involving only the possibility of loss or no loss (e.g. fire, theft, strike). | 19-20 |
| Entrepreneurship | A systematic, purposeful and creative activity of identifying a need, mobilising resources and organising production with a view to delivering value to customers, returns to investors and profits to self in accordance with risks and uncertainties. | 21 |

2.3 Diagrams / processes to remember

Five visual exhibits recur across CUET papers and should be reproducible from memory.

The **Transfer of Goods and Services cycle** (p. 4) shows how Exchange — whether monetary or barter — drives Production / Purchase, then Distribution, then Consumption, with two parallel outcomes: Division of Income Among Factors of Production on the supply side and Satisfaction of Needs and Wants on the demand side. Every classification (industry/commerce, trade/auxiliaries) is a finer slicing of one or more arrows in this loop.

The **Hundi table** (p. 5) classifies seven Hundi types in two rows: the **Darshani row** (Dhani-jog, Sah-jog, Firman-jog, Dekhan-har) — all payable at sight, with the Sah-jog variant adding the safety net of a 'respectable' holder; and the **Muddati row** (Dhani-jog, Firman-jog, **Jokhmi**) — payable after a fixed term, with Jokhmi tied to dispatched goods so that loss in transit erases the drawee's liability.

The **India's share in world wealth timeline** (p. 6) is sourced from Angus Maddison and runs 32% (1 AD), 32% (1000 AD), 24.36% (1500 AD), 25% of world industrial output (1700-1750 AD), 5-10% (1850 AD), 2% (1900 AD), 3.8% (1952), 3.1% (1973) — tracking ancient prosperity, colonial decline and post-1991 recovery.

Figure 1.2 — Comparison of Business, Profession and Employment (pp. 11-12) sets out nine bases of distinction in a tabular format: mode of establishment, nature of work, qualification, reward, capital investment, risk, transferability of interest, code of conduct, and example. The reward row is **profit / professional fee / salary or wages**.

The **Chart Showing Business Activities** (p. 14) is the classification tree: Business Activities branch into **Industry** and **Commerce**; Industry branches into Primary (Extractive + Genetic), Secondary (Manufacturing — Analytical/Synthetical/Processing/Assembling — and Construction) and Tertiary; Commerce branches into **Trade** (internal/external; wholesale/retail) and **Auxiliaries to Trade** (transport, banking, insurance, warehousing, communication, advertising). CUET frequently asks the student to place a specific activity — say, "fish hatchery" or "TV assembly plant" — at the right leaf.

2.4 Common confusions / NTA trap points

1. **Tertiary industry vs auxiliaries to trade** — NCERT treats tertiary industries (transport, banking, insurance, warehousing, communication, packaging, advertising) as the same set of activities that function as auxiliaries to trade; do not split them into different lists (p. 14, p. 15).
2. **Speculative vs Pure risk** — speculative offers BOTH gain and loss (market/price/fashion changes); pure offers only loss or no loss (fire, theft, strike). Natural

calamities are **causes** of risk, not the speculative/pure classification itself (NCERT §1.6, p. 19-20).

3. **Darshani vs Muddati Hundi** — Darshani = payable at sight; Muddati = payable after fixed term. **Jokhmi is always Muddati**, never Darshani (NCERT §1.1.1 table, p. 5).
4. **Single transaction is not business** — selling one's own radio set at a profit once is NOT business; regularity of dealings is a separate characteristic from profit earning (NCERT §1.2.1 (iv), p. 10).
5. **Manufacturing sub-types** — Analytical = separates (oil refinery); Synthetical = combines (cement); Processing = successive stages (sugar, paper); Assembling = parts to product (TV, car). Students often swap analytical and synthetical (NCERT §1.3.1, p. 13).
6. **Profession qualification vs Business qualification** — profession requires qualification plus a certificate of practice from a professional body; business needs no minimum qualification; employment requires the qualification prescribed by the employer (NCERT Fig 1.2, pp. 11-12).
7. **Profit is the reward for risk taking** — NCERT explicitly says "No risk, no gain" (NCERT §1.6.1, p. 20). Do not confuse this with the broader statement that profit is the **purpose** of business — these are two separate claims.
8. **Productivity vs profit** — productivity is the ratio of output value to input value (NCERT §1.5(iii), p. 18); profit is excess of revenue over cost (p. 18). A firm can be highly productive without making a profit and vice versa.
9. **Six hindrances of commerce** — persons, place, time, risk, finance, information — must be memorised in this exact order and paired with their auxiliary. NTA pairs them by elimination.
10. **Genetic vs Extractive primary industry** — Genetic involves rearing and breeding (poultry, cattle, seeds/nursery); Extractive involves taking from nature (mining, fishing, hunting). Fish **catching** is extractive; fish **hatchery** is genetic (NCERT §1.3.1, p. 13).
11. **Trade vs Commerce** — Commerce = Trade + Auxiliaries to Trade. NTA sometimes uses "trade" loosely to test whether the student conflates the two; commerce is the broader concept.
12. **Eight factors for starting a business vs seven characteristics of business** — these are two separate lists. Factors are forward-looking (planning to start); characteristics are descriptive (already operating).

2.5 Case examples

- **Surat Hundi honoured in Egypt and Iran (NCERT § 1.1.1, p. 5-7)** — Surat's merchant communities issued hundis that were freely encashed in Egyptian and Iranian markets, showing that India had a working international payment system long before Western banking.

- **Tata Steel — Jamshedpur (NCERT § 1.5 context, p. 19)** — referenced as an illustration of the multi-objective view of business: market standing, productivity, physical resources, profit, and social responsibility all visible in a single enterprise. NCERT later cites the Tata group's township at Jamshedpur as an example of how business contributes to social welfare beyond the wage relation.
- **Dipak Bharali's 'Chaneki' device, Sualkuchi (Assam)** (NCERT Activity 6, p. 25) — the silk weaver who took 80 attempts to invent an automated weft-insertion device that raised weaving speed 40 times. NCERT uses this case to illustrate the **innovation** objective (§1.5(ii), p. 18) — innovation "in various skills and activities needed to supply products and services", not just in the product itself.
- **Surat zari and Mithila's trade with Java, Sumatra and Borneo** (NCERT §1.1.1 box, p. 6) — twin examples of high-value craft exports (gold/silver thread for zari) and long-distance maritime networks reaching Southeast Asia. These are the canonical "ancient trade centre" mini-cases that recur in fill-in-the-blank CUET questions.
- **Make in India / Digital India** (NCERT §1.1.1, p. 8) — contemporary policy examples that bookend the historical sweep; NCERT positions them as the modern restatement of India's ancient trading capability, now leveraged through manufacturing and digital infrastructure.

Practice MCQs

Q1. Which of the following is NOT a characteristic of business activity as listed in the NCERT chapter?


- A.** Production or procurement of goods and services
- B.** Sale or exchange of goods and services
- C.** Dealings on a regular basis
- D.** Compulsory minimum educational qualification

Q2. Match List-I (Hundi type) with List-II (feature) and choose the correct option.
List-I 1. Dhani-jog (Darshani) 2. Sah-jog (Darshani) 3. Jokhmi (Muddati) 4. Firman-jog (Darshani) List-II i. Payable to any person; no liability over who received payment ii. Payable to a specific 'respectable' person; liability over who received payment iii. Drawn against dispatched goods; if goods lost in transit, drawee carries no liability iv. Hundi made payable to order

- A. 1-i, 2-ii, 3-iii, 4-iv
- B. 1-ii, 2-i, 3-iv, 4-iii
- C. 1-iv, 2-iii, 3-ii, 4-i
- D. 1-iii, 2-iv, 3-i, 4-ii

Q3. Read the following statements about business risk and identify the correct ones. Statement I: Speculative risks involve both the possibility of gain and the possibility of loss. Statement II: Pure risks involve only the possibility of loss or no loss. Statement III: Risk in business can be completely eliminated through careful planning.

- A. Only Statement I is correct
- B. Statements I and II are correct
- C. Statements II and III are correct
- D. All three statements are correct

 **8 more MCQs + answer key**
Get UniDrill Pro · ₹199/year · unidrill.in/pricing

PYQ Alignment

This chapter is among the most heavily tested in CUET Business Studies, typically yielding 5-7 MCQs per year. NTA favours direct-recall questions on the seven characteristics of business, the Business-Profession-Employment comparison, Hundi types (Darshani vs Muddati), classification of industry (with manufacturing sub-types as a frequent trap), the six hindrances commerce removes, and the speculative-vs-pure distinction. Case-based and assertion-reason questions on objectives of business and factors for starting a business have appeared regularly in 2023-2025 papers. See the cross-subject PYQ pool at </pyq/business-studies> .