

COMMERCIAL AND NON-COMMERCIAL ACTIVITIES

Learning Objectives

After studying this chapter, you should be able to :

- 1.1. Describe the meaning of Human Activities
- 1.2. State the types of Human Activities
- 1.3. Define and describe Economic or Commercial Activities
- 1.4. Describe Non-Economic or Non-Commercial Activities
- 1.5. Compare Commercial and Non-Commercial Activities
- 1.6. Explain types of Economic or Commercial Activities
- 1.7. Distinguish between Business, Profession and Employment

Human life is built around work. Every human being is busy in some activity or another throughout the day. Every person gets up from bed in the morning, brushes his/her teeth, takes a bath and eats breakfast. Then a child goes to school or college to study. An adult goes to work or the job and a housewife works at home. In the evening a person comes back, watches television, eats dinner and goes to bed at night. All these activities in which a person engages from morning to evening are known as 'human activities'.

1.1 MEANING OF HUMAN ACTIVITIES

Human activities mean all those activities which human beings undertake. Human activities are undertaken to satisfy human wants. These activities continue throughout life because wants are unending, unlimited and recurring. Some of the human activities (e.g., working in an office or factory or shop) produce direct economic benefits. Other human activities (e.g. praying, playing, sleeping) produce no direct economic benefits.

The main characteristics of human activities are as follows:

- (i) Human activities are activities which can be undertaken only by human beings i.e., men, women and children. These activities involve human efforts.
- (ii) Human activities are undertaken to satisfy human wants which are unlimited.
- (iii) Human activities continue throughout life.
- (iv) Human activities have a very wide range.
- (v) Human activities are performed both for earning money as well as for obtaining personal satisfaction.

1.2 TYPES OF HUMAN ACTIVITIES

All human activities may broadly be classified into two categories :

1. Economic or Commercial activities, and
2. Non-economic or Non-Commercial activities.

Economic activities are undertaken with the object of earning money and acquiring wealth. These activities result in the production of economic goods and services. Business is an economic activity

but it differs from other economic activities such as those of an employee and of self-employed persons like doctors, lawyers, chartered accountants, etc.

Non-economic activities are inspired by sentiments and emotions such as love for the family, desire to help the poor and love for the country. These activities are not undertaken for monetary gain but for one's satisfaction and happiness.

1.3 ECONOMIC OR COMMERCIAL ACTIVITIES

Economic activities refer to all those human activities which are undertaken to earn a living and thereby satisfy human wants. The main object of these activities is to earn income and create wealth. The money earned through work is used to satisfy wants. For example, a teacher teaches in a school or college, a doctor attends to patients in his clinic and a shopkeeper sells goods to his customers. Economic activities are concerned with the production, distribution and exchange of goods and services. These activities create utilities and result in the production of wealth. Economic activities are also called occupations.

1.3.1 Characteristics of Economic or Commercial Activities

The main characteristics of economic activities are as follows:

- (i) **Economic motive:** Economic activities are undertaken to earn money and acquire wealth. The main motive behind these activities is to make an economic gain. These activities are performed by human beings for earning livelihood.
- (ii) **Productive:** Economic activities involve production, distribution and exchange of goods and services for satisfying human wants. These activities are directly related to creation of wealth.
- (iii) **Economic resources:** Economic activities make use of economic resources such as land, labour, capital, etc.
- (iv) **Rational use:** Economic activities require proper allocation of scarce resources so as to obtain maximum output from them. These activities involve optimum utilisation of land, labour, capital and other factors of production. Welfare of society can be maximised when the best possible use of resources is made.
- (v) **Economic growth:** Economic activities determine the level of economic development of a country and the standard of living of its citizens.
- (vi) **Legal and valid:** Human activities performed for economic gain are called economic activities only when they are lawful. Unlawful activities such as gambling, blackmarketing, theft, dacoity, smuggling etc., are opposed to public interest. Therefore, these activities cannot be called economic activities.
- (vii) **Socially desirable:** Economic activities are desirable for society. They must be in accordance with the expectations and norms of society.

1.3.2 Examples of Economic or Commercial Activities

1. Production of goods by a manufacturer in a factory.
2. Distribution of goods by a wholesaler to retailers.
3. Selling of goods by a retailer to customers.
4. Transportation of goods and passengers by railways / roadways / airlines / ships.
5. Storage of goods by a warehouse keeper.

6. Acceptance of deposits and lending of money by a banker.
7. Insurance of risks by an insurance company.
8. Advertising and publicity of goods by an advertising agency.
9. A clinic run by a doctor.
10. Legal services provided by a lawyer in a court.
11. Audit services provided by a chartered accountant in his office.
12. Working of a government officer.
13. Services of a teacher in a school/college.
14. Working of a farmer in his fields to produce grains.
15. Working of a nurse in a hospital.

Economic or Commercial Activities at a Glance

Characteristics

- | | |
|-----------------------|-----------------------|
| 1. Economic motive | 2. Productive |
| 3. Rational use | 4. Economic resources |
| 5. Economic growth | 6. Legally valid |
| 7. Socially desirable | |

Examples

- (i) Manufacturing goods in a factory.
- (ii) Selling goods in a shop.
- (iii) A doctor treating patients in his clinic.
- (iv) A lawyer providing legal advice in his office.
- (v) A professor teaching in a university.
- (vi) A clerk working in a government office.

1.4 NON-ECONOMIC OR NON-COMMERCIAL ACTIVITIES

Activities which are undertaken to satisfy social, religious, cultural and sentimental requirements are called **non-economic activities**. The object of these activities is not to make monetary gain or earn a reward. People engage in non-economic activities for reasons of love, sympathy, religion, patriotism, etc. For example, a mother looks after her children, a student donates blood, an old man goes to temple daily, a rich man donates money to the Prime Minister's Relief Fund, a young man helps a blind girl cross the road, etc.

It is the object of any activity that distinguishes between economic and non-economic activities. The primary objective of economic activities is to earn livelihood and create wealth. On the other hand, the main objective of non-economic activities is to get some sort of social, cultural, religious or recreational satisfaction. The output of economic activities can be measured in terms of money, e.g. the salary of a teacher, the fee of a doctor and the profits of a businessman. But the result of non-economic activities cannot be measured in terms of money.

The same activity may be economic as well as non-economic. For example, a nurse attending a patient in a hospital is an economic activity as the nurse works for a salary. But when the same nurse attends to her sick mother at home, it is a non-economic activity because the object is not

to earn money. Thus, the activity of the same person may be economic at one time or place and non-economic at another time or place. The dividing line is not the activity or the person who is doing it but the objective for which it is undertaken.

Thus, non-economic activities are undertaken due to the following considerations :

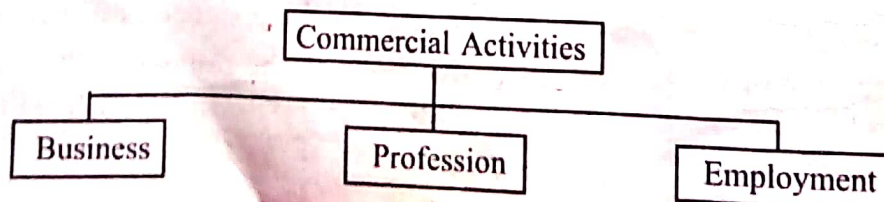
- (i) Love and affection – for example, taking dinner with the family, cooking food for family.
- (ii) Personal satisfaction – for example, meditating in a park.
- (iii) Physical needs – for example, morning walk by a person.
- (iv) Religious obligation – for example, praying in a temple.
- (v) Social obligations – for example, helping victims of an accident, flood or earthquake.
- (vi) Patriotism – for example, donating blood for injured army men.

1.5 Distinction between Commercial and Non-Commercial Activities

Point of Distinction	Commercial Activities	Non-Commercial Activities
1. Objective	Economic objective– To earn a living and acquire wealth.	Sentimental and emotional objectives– To obtain some sort of personal satisfaction.
2. Expectation	Money income is expected from these activities.	Money income is not expected from these activities.
3. Relationship	Directly related to income and wealth.	Not related to income and wealth.
4. Measurement of outcome	Result can be measured in terms of money.	Result cannot be measured in terms of money.
5. Logic	Guided by rational considerations of cost and benefit.	Guided by sentiments and emotions without regard to gain or sacrifice.
6. Resources	Involve proper allocation and optimum use of resources.	Optimum allocation and use of resources is not essential.
7. Types or examples	Business, profession and employment.	Family-oriented, religious, social, cultural and national.

1.6 TYPES OF COMMERCIAL ACTIVITIES

Economic activities are also known as 'occupations'. Economic activities or occupations may be classified into three broad categories as follows:



1. **Business:** Business includes all those economic activities which are concerned with production and exchange of goods of services with the object of earning profits. Business is an economic activity because it is undertaken for earning money and producing wealth. All organisations which carry on business activities are called **business enterprises** or 'business firms'. Similarly, the

persons who are engaged in a business are known as 'businessmen'. Business creates various types of utilities by making goods and services more valuable and useful to consumers. When raw materials are converted into finished products, it creates form utility. Place utility is created by transporting goods from the place of production to the place of consumption. Goods are stored for future use which results in the creation of time utility. A factory, a shop, a transport company, a warehouse, an insurance company, a bank are all examples of business activities. Firms providing direct services, e.g., tailor, drycleaner, beauty parlour, etc., are also business enterprises.

Business is regarded as an economic activity due to the following reasons :

- (a) The objective of business activities is to sell goods and services for profit.
- (b) Business activities require use of scarce resources like capital, labour, raw materials, etc.
- (c) Business activities satisfy the needs of businessmen and their families by generating income. Business activities also satisfy various needs of the general public by making goods and services available to people.

2. **Profession:** The term profession means an occupation which involves application of specialised knowledge and skills to earn a living. The persons who are engaged in profession are called **professionals**. They render personal services of a specialised nature to their clients. The service is based on professional education, training and experience. Professionals receive fee for their services. Chartered accountants, medicine, law, tax consultancy are examples of professions.

The main features of a profession are as follows :

- (i) **Specialised body of knowledge:** Every profession has a specialised and systematised body of knowledge. Members of the profession are required to learn this knowledge.
- (ii) **Formal training:** A profession provides facilities for formal education and training to those who want to acquire professional qualification.
- (iii) **Restricted entry:** Entry to a profession is allowed only to those who have completed the prescribed education and have passed the specified examination.
- (iv) **Professional association:** Every profession has its own association. A professional association is a statutory body and its membership is essential. The association regulates entry in the profession, grants certificate of practice, formulates and enforces code of conduct.

Names of various Professions and their respective Associations are given below.

<i>Professions</i>	<i>Professional</i>	<i>Professional associations</i>
1. Medical Profession	Doctors	Medical Council of India
2. Law Profession	Lawyers	Bar Council of India
3. Accounting Profession	Chartered Accountants	The Institute of Chartered Accountants of India (ICAI)
4. Company Secretary Profession	Company Secretaries	The Institute of Company Secretaries of India (ICSI)
5. Cost Accounting Profession	Cost Accountants	The Institute of Cost and Works Accountants of India (ICWAI)
6. Engineering Profession	Engineers	The Institution of Engineers (India)

(v) **Service motive:** Professionals are expected to emphasise services to their clients rather than economic gain.

(vi) **Code of conduct:** The activities of a professional are regulated by a formal code of conduct. The code is prescribed by the professional association of which he is a member.

3. **Employment:** Employment means an economic activity where people work for others in exchange for some remuneration. The persons who work for others are called 'employees'. The persons or organisations which engage others to work for them are called 'employers'. The remuneration given by an employer to his employee is known as wage or salary. The employee performs the work assigned to him by his employer as per the terms and conditions of employment. There is an oral or written agreement between the employer and the employee. The employee acts under the guidance and control of his employer. The employer may be a government department/undertaking or a private firm. Employment thus includes all types of jobs in government offices and private enterprises. When a professionally qualified person works as an employee he is also said to be in employment. For example, a doctor may be employed in a hospital, a chartered accountant may be working as an accountant in a company and a lawyer may serve as a law officer in a bank.

Various examples of employment are as follows :

(i) A teacher teaching in a school or college.

(ii) An engineer employed in Municipal Corporation of Delhi.

(iii) An accountant working in the accounts department of a company.

(iv) A person working as the plant manager of a factory.

(v) A nurse or doctor working in a hospital.

1.7 DISTINCTION BETWEEN BUSINESS, PROFESSION AND EMPLOYMENT

1. **Mode of establishment:** A business enterprise is established when an entrepreneur takes a decision to carry on some business activity. In a profession, on the other hand, the membership or enrolment of a recognised professional association or institution is essential. In order to take up employment, a person has to enter into a contract of service.

2. **Nature of work:** A business exists to provide goods and services to satisfy human wants. On the other hand, a professional renders personalised service of a specialised nature to his clients. An employee performs the work assigned by the employer under the contract of service.

3. **Qualifications:** No formal education is compulsory in order to carry on a business. But for a profession, specialised knowledge and training are essential. Minimum educational qualifications are prescribed for every profession. In case of employment, the required qualifications depend upon the nature of the job.

4. **Main objective:** In business, the basic motive is to earn profits. A professional, on the other hand, is expected to emphasise the service motive and sense of mission. That is why a rigorous code of ethical behaviour is laid down in every profession. In case of service, the motive of an employee is to earn salary and receive other benefits.

5. **Investment:** Every business requires capital depending upon the nature and scale of operations. A professional also has to invest some capital to establish an office for rendering services. There is no need for capital in case of employment.

6. Risk: There is an inherent element of risk in business and profession but practically no risk is involved in case of employment. There can be loss in business but in a profession and employment the return is never negative.

7. Reward: Profit is the reward of a businessman while professional fee is the reward of a professional. The reward in case of employment is wage or salary. Wage/salary and fee are more regular and fixed than profits.

8. Transfer of interest: It is possible to transfer ownership interest in business. But no such transfer is possible in case of profession and employment.

9. Public advertisement: The success of a business depends upon public advertisement. But professionals are prohibited from giving public advertisements. There is no need for public advertisements in case of services.

In spite of the above differences, there is closed interrelation between business, profession and service. A large business enterprise employs a large number of persons in order to achieve its objectives. It also requires the services of professional experts such as chartered accountants, lawyers, architects, cost accountants, etc. Modern business has become very complex. Trained and experienced managers and other experts are required for efficient business operations. Professionals and other employees provide the necessary manpower of efficient running of business concerns. Thus, business, profession and employment are complementary to one another.

QUESTION BANK

Q.1 State two features of commercial activities.

Ans. Two features of commercial activities are as follows :

- (i) The main objective is to earn money.
- (ii) Commercial activities involve production of economic goods and services.

Q.2 Classify the following activities into business, profession and employment.

- (i) A teacher teaching in a school
- (ii) A chartered accountant working in a company
- (iii) A vendor selling vegetables door-to-door
- (iv) A chartered accountant working as an external auditor

Ans. (i) Employment

(ii) Employment

(iii) Business

(iv) Profession

Q.3 Give two differences between commercial and non-commercial activities.

Ans. (i) The objective of commercial activities is to earn money while the objective of non-commercial activities is to serve others.

(ii) The result of commercial activities can be measured in terms of money but the result of non-commercial activities cannot be measured in terms of money.