TERM – 1 EXAMINATION, 2026-27
ELEMENTS OF BUSINESS
MARKING SCHEME

Class: IX **Time: 3hrs**
Date: 31/08/2026 **Max Marks: 70**
Admission no: **Roll no:**

SECTION A – Answer Key (18 × 1 = 18 Marks)

Q1. Which of the following is an example of an economic activity? *(UNIT 1)*
(a) Playing football for fun with friends (b) Selling vegetables in a shop for profit
(c) Praying at a temple (d) Watching a movie at home
Ans. (b) Selling vegetables in a shop for profit

Q2. An occupation in which a person works for another under a contract of service, in return for wages or a salary, is called: *(UNIT 1)*
(a) Business (b) Profession
(c) Employment (d) None of these
Ans. (c) Employment

Q3. Business activities can be broadly classified into: *(UNIT 1)*
(a) Industry and Commerce (b) Agriculture and Mining only
(c) Only manufacturing (d) None of these
Ans. (a) Industry and Commerce

Q4. Industries engaged in drawing out/extracting materials from the earth, air or water are called: *(UNIT 1)*
(a) Genetic industries (b) Extractive industries
(c) Manufacturing industries (d) Service industries
Ans. (b) Extractive industries

Q5. Activities that assist or facilitate trade, such as transport, banking, insurance and warehousing, are known as: *(UNIT 1)*
(a) Aids to trade (b) Direct trade
(c) Retail trade (d) Manufacturing
Ans. (a) Aids to trade

Q6. The buying and selling of goods within the same country is known as: *(UNIT 1)*
(a) Internal/Home trade (b) Foreign trade
(c) Entrepôt trade (d) None of these
Ans. (a) Internal/Home trade

Read the following situation and answer Question No. 7: Sameer imports chocolates from Belgium and Switzerland and sells them to customers across India.

Q7. Which type of trade is Sameer mainly engaged in? *(UNIT 1)*
(a) Home trade (b) Import trade
(c) Export trade (d) Entrepôt trade
Ans. (b) Import trade

Q8. Which of the following is a primary objective of every business? *(UNIT 1)*
(a) Loss maximisation (b) Earning profit
(c) Avoiding customers (d) Employee absenteeism
Ans. (b) Earning profit

Q9. *(UNIT 1)*

Assertion (A): Every business activity involves some degree of risk.
Reason (R): Returns from business are never fully certain and may result in either profit or loss.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true
Ans. (a) Both A and R are true, and R is the correct explanation of A

Q10. The operative function concerned with acquiring the right quantity and quality of raw materials, at the right time and price, is: *(UNIT 2)*
(a) Marketing (b) Purchasing/Procurement
(c) Warehousing (d) Financing
Ans. (b) Purchasing/Procurement

Q11. Converting raw material into finished goods through a systematic process is called: *(UNIT 2)*
(a) Purchasing (b) Production
(c) Storage (d) Selling
Ans. (b) Production

Q12. Holding goods safely until they are needed for sale or use is the function of: *(UNIT 2)*
(a) Production (b) Marketing
(c) Warehousing (d) Financing
Ans. (c) Warehousing

Q13. Identifying consumer needs and directing the flow of goods and services from producer to consumer is the aim of: *(UNIT 2)*
(a) Marketing (b) Financing
(c) Purchasing (d) Warehousing
Ans. (a) Marketing

Q14. Estimating and arranging the funds required by a business is the task of the: *(UNIT 2)*
(a) Marketing function (b) Financing function
(c) Personnel function (d) Production function
Ans. (b) Financing function

Q15. Recruiting, training and managing the people needed to run a business is the role of the: *(UNIT 2)*
(a) Marketing function (b) Human Resource function
(c) Financing function (d) Production function
Ans. (b) Human Resource function

Read the following situation and answer Question No. 16: A toy manufacturer combines plastic, colours and machinery to make toy cars, which are then packed and kept safely in a nearby storeroom until they are sold.

Q16. Keeping the finished toy cars in the storeroom until they are sold illustrates which operative function? *(UNIT 2)*
(a) Purchasing (b) Production
(c) Warehousing (d) Marketing
Ans. (c) Warehousing

Q17. Warehousing mainly helps a business by creating: *(UNIT 2)*
(a) Form utility (b) Time and place utility
(c) Ownership utility only (d) None of these
Ans. (b) Time and place utility

Q18. *(UNIT 2)*
Assertion (A): The production and marketing functions of a business must work closely together.
Reason (R): Goods produced must match what customers want and must be delivered when demanded, or else they may remain unsold.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A

(c) A is true, but R is false
(d) A is false, but R is true
Ans. (a) Both A and R are true, and R is the correct explanation of A

SECTION B – Value Points (4 × 3 = 12 Marks)

Q19. Differentiate between Business and Profession on the basis of: (i) Meaning (ii) Qualification required (iii) Risk involved. *[3 Marks]*
(UNIT 1)
Ans. (i) Meaning – Business is an economic activity involving production/exchange of goods and services for profit; a profession is an occupation requiring specialised knowledge and skill, governed by a code of conduct. (1)
(ii) Qualification – Business generally does not require any specific formal qualification; a profession requires specialised training/qualification and registration with a professional body. (1)
(iii) Risk – Business involves a relatively higher degree of risk/uncertainty of return, while a professional's income (fee) is comparatively more certain, being linked to services rendered. (1)

Q20. Explain the meaning of 'Industry' and state its three broad types with one example each. *[3 Marks]*
(UNIT 1)
Ans. Meaning: Industry refers to economic activities connected with the conversion of resources into useful goods, and the rendering of services. (1) Types (any pattern, 2 marks for stating 2-3 types with examples): (i) Primary industries – engaged in extraction/production of natural resources, e.g., mining, agriculture. (ii) Secondary industries – engaged in processing raw material into finished goods, e.g., textile mills. (iii) Tertiary/Service industries – provide support services to trade and industry, e.g., banking, transport. (Any two types with examples for the remaining 2 marks.)

Q21. Explain the meaning of the 'production' function. State any two inputs/elements required for production. *[3 Marks]*
(UNIT 2)
Ans. Meaning: Production refers to the operative function of converting raw material and other inputs into finished or semi-finished goods/services that satisfy consumer needs. (1) Inputs: (i) Raw material, (ii) Labour (also accept machinery/capital) (any two, 1 mark each).

Q22. State any three functions performed under the marketing/selling activity of a business. *[3 Marks]*
(UNIT 2)
Ans. (i) Identifying consumer needs and wants through market research. (1)
(ii) Deciding the price of the product/service. (1)
(iii) Promoting the product through advertising and distributing it so that it reaches the final consumer. (1)
(Any three relevant marketing functions.)

SECTION C – Value Points (4 × 4 = 16 Marks)

Q23. Explain any four characteristics of business. *[4 Marks]*
(UNIT 1)
Ans. (i) Economic activity – undertaken with the objective of earning income/profit. (1)
(ii) Production/exchange of goods and services – involves dealing in goods and/or services, either directly or indirectly. (1)
(iii) Regularity of transactions – a single, isolated transaction is not treated as business; there must be recurring dealings. (1)
(iv) Risk and uncertainty – returns from business are never guaranteed and depend on market conditions. (1)
(Any four; also accept: creation of utility, buyer-seller relationship.)

Q24. Distinguish between Home Trade and Foreign Trade on the basis of: (i) Area of operation (ii) Currency used (iii) Legal formalities (iv) Risk involved. *[4 Marks]*
(UNIT 1)

Ans. (i) Area of operation – Home trade is conducted within the boundaries of one country; foreign trade takes place between two or more countries. (1)
(ii) Currency – Home trade uses a single national currency; foreign trade generally involves foreign exchange/multiple currencies. (1)
(iii) Legal formalities – Home trade involves relatively simple formalities; foreign trade requires additional documentation such as customs clearance, export-import licences, etc. (1)
(iv) Risk – Home trade generally involves lower risk; foreign trade involves higher risk due to currency fluctuation, distance, and differing laws of countries. (1)

Q25. Explain any four operative functions of a business, in brief. *[4 Marks]*
(UNIT 2)
Ans. (i) Purchasing/Procurement – acquiring the right quality and quantity of raw materials/inputs, at the right price and time. (1)
(ii) Production – converting raw material into finished or semi-finished goods/services. (1)
(iii) Warehousing/Storage – holding and preserving goods safely until they are required for sale or use. (1)
(iv) Marketing/Selling – identifying consumer needs and directing the flow of goods and services from producer to consumer. (1)
(Any four; also accept Financing and Human Resource function.)

Q26. Explain the meaning of warehousing and state any three benefits/importance of warehousing for a business. *[4 Marks]*
(UNIT 2)
Ans. Meaning: Warehousing refers to the operative function of holding, preserving and safeguarding goods from the time they are produced/purchased until they are needed for sale or further use. (1) Benefits (any three, 1 mark each): (i) Protects goods from loss/damage. (ii) Ensures a regular and continuous supply of goods to meet demand, even when production is seasonal. (iii) Enables a business to take advantage of favourable price movements by holding stock.

SECTION D – Value Points (4 × 6 = 24 Marks)

Q27. Explain the meaning of business. Discuss any four characteristics of business, with suitable examples. *[6 Marks]*
(UNIT 1)
Ans. Meaning (2 marks): Business refers to an economic activity involving the regular production and/or exchange of goods and services, undertaken with the object of earning profit, while satisfying the needs of society.
Characteristics (4 marks – any four, 1 mark each with example): (i) Economic activity – undertaken to earn income, e.g., a shopkeeper selling groceries for profit. (ii) Dealing in goods and services – either directly (manufacturing) or indirectly (trade/aids to trade). (iii) Regularity of transactions – a single, isolated sale is not business; there must be recurring dealings, e.g., a bakery regularly baking and selling bread. (iv) Risk and uncertainty of return – profit is never guaranteed, e.g., a trader may earn profit or incur loss depending on market demand.

Q28. Explain the classification of industries into primary, secondary and tertiary categories, giving two examples of each. *[6 Marks]*
(UNIT 1)
Ans. Primary industries (2 marks): Concerned with the extraction/production of natural resources; further divided into extractive industries (e.g., mining, fishing) and genetic industries (e.g., poultry farming, plant nurseries).
Secondary industries (2 marks): Concerned with processing raw materials (obtained from primary industries) into finished/semi-finished goods; further divided into manufacturing industries (e.g., textile mills, automobile factories) and construction industries (e.g., building roads, dams).
Tertiary/Service industries (2 marks): Provide support services to trade, industry and the general public, e.g., banking and insurance, transport and communication.

Q29. ‘Every business needs to perform several operative functions to run smoothly.’ Explain the meaning of operative functions and describe any four such functions in detail. *[6 Marks]* *(UNIT 2)*

Ans. Meaning (2 marks): Operative (or functional) activities refer to the day-to-day working activities that a business enterprise must perform in order to run its operations smoothly – right from procuring inputs to selling the final product/service to the consumer.

Functions (4 marks – any four, 1 mark each): (i) Purchasing/Procurement – acquiring raw materials of the right quality and quantity, at the right price and time. (ii) Production – converting raw materials into finished/semi-finished goods through an appropriate process. (iii) Warehousing/Storage – preserving goods safely from the time of production/purchase until they are required. (iv) Marketing/Selling – identifying consumer needs and directing the flow of goods/services from producer to consumer through pricing, promotion and distribution. (Also accept Financing and Human Resource function.)

Q30. Explain the meaning and importance of financing as an operative function of business. Also, state any three sources from which a business can raise funds. *[6 Marks]* *(UNIT 2)*

Ans. Meaning & Importance (3 marks): Financing refers to the operative function of estimating the amount of funds required by a business and arranging them from suitable sources at the right time and at a reasonable cost. It is important because funds are needed to purchase raw material and machinery, to pay wages/salaries and meet other day-to-day expenses, and to enable the business to expand and modernise its operations.

Sources of funds (3 marks – any three, 1 mark each): (i) Owner's own capital/savings. (ii) Borrowings/loans from banks and financial institutions. (iii) Trade credit from suppliers. (Also accept: retained profits, loans from friends & relatives.)

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