



NCERT Solutions for 11th Class Business Studies: Chapter 5- Emerging Modes of Business



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I. Multiple Choice Questions

Tick mark (✓) the most appropriate answer to the following questions:

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Question 1. e-commerce does not include:

- (a) A business's interactions with its suppliers**
- (b) A business's interactions with its customers**
- (c) Interactions among the various departments within the business**
- (d) Interactions among the geographically dispersed units of the business**

Question 2. Outsourcing:

- (a) Restricts only to the contracting out of Information Technology Enabled Services. (TIES)**
- (b) Restricts only to the contracting out of non-core business**
- (c) Includes Contracting out of manufacturing and RandD as well as services processes -both core and non-core, but restricts only to domestic territory**
- (d) Includes off-shoring**

Question 3. The payment mechanism typical to e-business

- (a) Cash on delivery!CoD) (b) Cheques**
- (c) Credit and Debit Cards (d) E-cash**

Question 4. A Call Centre handles:

- (a) Only in-bound voice based business (b) Only out-bound voice based business**
- (c) Both voice based and non-voice based business (d) Both customer facing and back-end business**

Question 5. It is not an application of e-business:

- (a) Online bidding (b) Online procurement**
- (c) Online trading (d) Contract RandD**

Answer:

1. (c) 2. (b) 3. (d) 4. (d) 5. (d)

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II. Short Answer Type Questions

Question 1. State any three differences between E-business and traditional business.

Answer: The differences between e-business and traditional business can be summarized as below:

1. **Logistics:** The logistics of e-business typically have lesser constraints than traditional business. E-businesses are not limited to venue; they can be located anywhere and still serve the same customer. Their product capacity is “infinite” in that they are not limited to the space of a brick-and-mortar store. E-businesses mainly depend on shipping methods to deliver and receive items, while traditional stores conduct an instant exchange. This timing difference can be a significant factor for some consumers. For example, refunds would typically take much longer to process for e-businesses than in a neighborhood store.
2. **Human Resources:** The two types of business differ in talent recruitment. E-businesses significantly emphasize technology and hire more people from the web design and development fields. In some cases, every employee may be required to have a technical background or receive in-house training for basic web development. On the other hand, traditional businesses are more diverse in hiring for non-technical positions, such as sales representatives and display managers.
3. **Marketing and Finance:** In marketing for traditional business, marketers can focus on all five human senses to influence the sale. For example, maintaining a proper display keeps the product aesthetically appealing. Consumers can also physically touch the product in a traditional store; this is particularly vital for physically sensitive items such as clothes. E-businesses typically have to rely mainly on sight. The physical display is replaced with digital images. The inability to touch and test the product first hand is replaced with technical text to visualize the details of the product; online retailers may also have the ability to present many more choices because they do not need to have the physical product on hand.
The major financial difference between e-business and traditional business is cost. E-businesses usually have lesser start up and operational costs, buying an online domain is much cheaper than renting land and building facilities and buying equipment.
4. **Management:** E-business management is typically flatter than traditional management. A flat company happens when there are few levels in between top management and the entry-level employee. In most E-businesses, low level management, such as store managers and division managers, is unnecessary. Instead, E-businesses expand horizontally by hiring external consultants and contract web development positions. These entities specialize in a business service, such as e-commerce setup and online

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marketing. They may work for the company but are not necessarily included in or affected by management decisions.

Question 2. How does outsourcing represent a new mode of business?

Answer: Outsourcing represents a new mode of business. It is fast becoming an emerging mode of business. Firms have started increasingly outsourcing one or more of their processes which can be efficiently and effectively carried on by others. Outsourcing can be qualified as emerging mode of business because its acceptance is increasing as a fundamental business policy and philosophy, as opposed to the earlier philosophy of doing it all by yourself.

Question 3. Describe briefly any two applications of E-business.

Answer: Two applications of E-business are discussed below:

1. **e-Procurement:** It involves internet based sales transactions between business firms including both, “reverse auctions” that facilitate online trade between a single business purchaser and many sellers, and, digital market places that facilitate online trading between multiple buyers.
2. **e-Delivery:** It includes electronic delivery of computer software, photographs, videos, books (e-journals) and other multimedia content to the other’s computer. It also includes rendering of legal, accounting, medical and other consulting services electronically. In fact, internet provides the firms with opportunities for outsourcing of a host of Information Technology Enabled Services (ITES).

Question 4. What are the ethical concerns involved in outsourcing?

Answer: Following are the major ethical concerns involved in outsourcing:

1. **Confidentiality:** When a company outsources any of its functions, it has to share a lot of information and knowledge with outsourcing partner. He may not preserve confidentiality. If company adopts outsourcing of complete processes or products, there is further risk that outsourcing partner may start his own business which may increase competition.
2. **Sweat Shopping:** The firms which opt for outsourcing aim at lowering their costs, try to get maximum benefit from the low cost manpower of the host countries. Secondly, such works are outsourced which do not build much of competency and ability of outsourcing partners. So, they build blue collar workers by handing over doing skills rather than creating white collar workers by transferring thinking skills.
3. **Using Child Labour and not following Labour Laws:** Outsourcing is engaging child labour and women in the factories. Moreover, there exists wage discrimination on the basis of sex of the worker. Workers are exploited by giving less than minimum wages.

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4. **Resentment in the Countries:** When MNCs contract out manufacturing, marketing, accounting, R and D etc. to developing countries, it may create resentment in home country. The people from developed countries may not like that the jobs which they could get have been transferred to developing nations for cost cutting.

Question 5. Describe briefly the data storage and transmission risks in E-business.

Answer: In the present century, information is acting as power. If the relevant information of the business reaches into wrong hands, it may create a lot of loss for the company concerned. There is a risk of en route being stolen or modified by wrong people for their selfish motives. It is exposed to the risk of VIRUS and hacking. VIRUS stands for Vital Information Under Seize. Installing and timely updating anti-virus programmes and scanning the files and disks with them provides protection to the files, folders and systems from the attack of virus.

Another risk involved is interception of data in the course of transmission. To protect data against this, cryptography is used. Cryptography refers to the art of protecting information by transforming it into an unreadable format called 'cyphertext'. Thereafter only those who have a secret key can decrypt the message into 'plaintext'. It is like coding and decoding.

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III. Long Answer Type Questions

Question 1. Why are E-business and outsourcing referred to as the emerging modes of business? Discuss the factors responsible for the growing importance of these trends.

Answer: E-business and outsourcing are referred to as emerging modes of business. Prefix 'emerging' puts emphasis on the fact that these businesses are in the process of development. These changes are happening here and now, and, that these changes are likely to continue. In fact, three changes are taking place most strongly:

- **Digitization:** The conversion of text, sound, images, video and other content into a series of ones and zeroes that can be transmitted electronically.
- **Outsourcing:** Contracting out non core activities to outside firms.
- **Internationalisation and globalisation:** More and more foreign companies are entering into India and sending Asian and Indian companies becoming MNCs. Therefore, E-business and outsourcing referred to as the emerging modes of business.

Following factors are responsible for the growing importance of these trends:

- **Improvement in Information Technology:** With the improvement in information technology and emergence of internet the process of outsourcing and e-business is on an expansionary path.

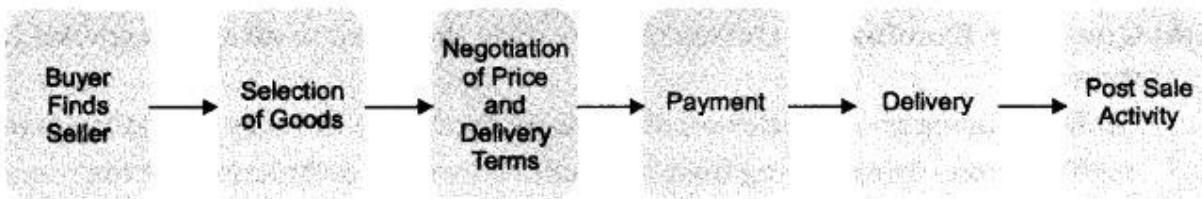
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- **More and More Interactive Websites:** Websites are becoming more and more interactive. It is removing the problem of 'low touch'.
- **Improvement in Communication Technology:** Communication technology is continually evolving and increasing the speed and quality of communication through internet.
- **Diffusion of E-Commerce in all nooks and corners of the country:** In order to diffuse e-commerce in all nooks and corners, India has undertaken about 150 such projects. It is also growing importance of these trends.
- **Global Competitive Pressures for higher quality products:** Due to adoption of new economic policy of 1991 in India, there has been an increase in competitive pressure from giant sized MNCs and global enterprises.
- **Ever Demanding Consumers:** There is increasing demands from consumers for high quality products at minimum cost. Therefore, e-business and outsourcing are being chosen as newer options. But e-business and outsourcing are not emerging out of compulsion but also out of choice because of its benefits to consumers as well as producers.

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Question 2. Elaborate the steps involved in online trading.

Answer: Operationally, following steps are involved in online trading:



1. **Registration:** First step in online trading is registration with the online trader by filling up a registration form. With registration buyer has opened an account with online trader. A password is created for the account which protects account and shopping cart which can be misused otherwise.
2. **Placing an Order:** An account holder can drop the items in the shopping cart. Shopping cart is an online record of what a person has picked up while browsing the online store. Once being sure of what a person wants to buy, one can check out and choose his payment options.
3. **Payment Mechanism:** In online trading payment may be made in any of the following ways:
 - **Cash On Delivery:** Under this, the payment for goods ordered online may be made in cash at the time of physical delivery of the goods.

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- **Cheque:** Another option is that the online vendor may arrange for the pickup of the cheque from the customer's end. Upon realization, goods may be delivered.
- **Net Banking Transfer:** These days banks provide facility to the customers for electronic transfer of funds using internet. Therefore, a buyer can also make use of net banking money transfer to pay for the goods ordered.
- **Credit or Debit Cards:** These are also called plastic money. These cards are most popularly used in payment for online transactions. To accept credit card as an online payment type, the seller first needs a secure means of collecting credit card information from its customer. Payments through credit cards can be processed either manually, or through online authorization system like SSL Certificate.
- **Digital Cash:** It is a kind of electronic currency which exists only in cyberspace. It has no real physical properties, but offers the ability to use real currency in an electronic format. For this, the buyer has to deposit cash in bank account which issues equivalent digital cash to the person which can be used for online trading. It is more secure than credit or debit cards.

Question 3. Evaluate the need for outsourcing and discuss its limitations.

Answer: Outsourcing has emerged as a way of doing business due to global competitive pressures for higher quality products at lower costs, ever-demanding customers and emerging technologies. Need for outsourcing can be understood from the benefits which are given below:

- **Focusing of Attention:** Business firms are realizing the importance of focusing on core areas where they have distinct ability and core competence and contracting out the rest of the activities to their outsourcing partners. A business organization needs to decide its core areas and non-core areas. Once they outsource non-core areas, they can focus their attention on selected activities. It will increase efficiency and effectiveness.
- **Quest for Excellence:** Outsourcing enables the firms to attain excellence in two ways:
(a) By focusing on activities selected, their excellence in those activities increases.
(b) They excel by extending their capabilities through contracting out the remaining activities to them who excel in them.
- **Cost Reduction:** In the age of globalization, cost reduction is of vital importance to survive in the market. Division of labour not only enhances quality but also reduces cost. For example, India is preferred as an outsourcing destination because of cost factors.
- **Growth through alliance:** When some activities are outsourced then these alliance partners invest for the outsourced activities. Business can be expanded by same amount of investible funds as now these funds are to be invested in limited number of activities.
- **Fillip to Economic Development:** Outsourcing stimulates entrepreneurship, employment and exports in the host countries. For example, in India there has been

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remarkable growth in entrepreneurship, employment and exports that today India is an undisputed leader in software development and IT enable services.

But outsourcing is not an unmixed blessing. It has its own limitations. Some of which are discussed below:

- **Confidentiality:** When a business opts for outsourcing, it has to share a lot of vital information and knowledge. This information may be leaked by the outsourcing partner. It may be against the outsourcing firm. It is also possible that the outsourcing partner starts a business of same line after getting such information.
- **Ethical Concerns:** Many a time, outsourcing makes use of child labour and violates labour laws to reduce costs. They also discriminate in wages on the basis of sex.
- **Sweat Shopping:** A firm which goes in for outsourcing actually transfers 'doing' skills rather than 'thinking' skills. Therefore, they do not create skilled manpower in developing countries but just take maximum benefit of low cost labour by transferring non intellectual tasks.
- **Resentment in their Home Countries:** Outsourcing is being disliked by people in developed countries because the jobs which they could get are being transferred to developing countries through outsourcing. The problem is still more severe if there is problem of unemployment in home country of outsourcing firm.

Question 4. Discuss the salient aspects of B2C commerce.

Answer: In this, both the parties involved are business firms and therefore, it has been named as B2B i.e., business to business. Historically, the term e-commerce originally meant for facilitation of B2B transactions using Electronic Data Interchange (EDI) technology to send and receive commercial documents like purchase orders and invoices. Salient aspects of B2B Commerce:

1. **Need:** Creation of utility requires a business to contact with a number of other businesses which
 - May be suppliers
 - May act as channel of distribution.
 - Different middlemen in different locations;
 - Changing production as per specifications of the customer.
2. **Benefits:**
 - It strengthens and improves the distribution system of a firm. For example, each consignment of goods from a warehouse and the stock in hand can be monitored and replenishments and reinforcements can be set in motion as and when needed.
 - A customer's specifications can be routed through the dealers to the factory so that there may be customized production.

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- B2B E-commerce expedites the movement of information and documents.
 - It also expedites money transfers.
3. **Example:** The manufacture of an automobile requires assembly of a large number of components which in turn are being manufactured elsewhere. To reduce dependence on a single vendor, the automobile factory cultivates more than one vendor for each of the components. A network of computers is used for placement of orders, controlling production and delivery of components and making payments.

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Question 5. Discuss the limitations of electronic mode of doing business. Are these limitations severe enough to restrict its scope? Give reasons for your answer.

Answer: The limitations of electronic mode of doing business are given below:

- **Low personal Touch:** It lacks the warmth of interpersonal interactions. Therefore, such products which need personal touch like beauty products, garments, fashion accessories etc. can't be traded through e-business.
- **Mismatch between order giving/taking speed and order fulfillment speed:** Sometimes websites take a long time to open which may frustrate the user. Even after giving or taking order, it takes enough time to give physical delivery of goods. It also plays on the patience of the customer.
- **Knowledge of technology is must:** For e-commerce both the parties need fairly high degree of familiarity with the world of computers. It divides the society into two parts i.e; one who are familiar with digital technology and other who are not.
- **Increased risk due to parties being unknown to each other:** When two parties are involved in e-business, they are unaware of personal identities of each other. They do not even know the locations of the parties involved. It makes e-business risky. There may also be problems of virus and hacking.
- **People Resistance:** People are resistant to change their ways and adopt new technology. Change is perceived as a source of stress and insecurity by many.
- **Ethical Concerns:** These days companies use an electronic eye to keep track of the websites being used by employees, computer files that they use, their e-mal accounts etc. It is not ethical.

But in spite of these limitations, e-business is the way. No, these limitations are not severe enough to restrict its scope.

- **Improvement in Information Technology:** With the improvement in information technology and emergence of internet the process of outsourcing and e-business is on an expansionary path. Anti virus and improved security measures are increasing to make e-business more secure and safer option.

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- **More and more Interactive Websites:** Websites are becoming more and more interactive. It is removing the problem of 'low personal touch'.
- **Improvement in Communication Technology:** Communication technology is continually evolving and increasing the speed and quality of communication through internet so that customer does not get frustrated in processing the order.
- **Diffusion of E-Commerce in all nooks and corners of the country:** An order to diffuse e-commerce in all nooks and corners, India has undertaken about 150 such projects. It is increasing the number of people acquainted with digital technology. We can conclude that e-business will continue to stay and reshape the businesses, governance and economies.

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Organise pre-service and in-service training of teachers; develop and disseminate innovative educational techniques and practices; collaborate and network with state educational departments, universities, NGOs and other educational institutions; act as a clearing house for ideas and information in matters related to school education; and act as a nodal agency for achieving the goals of Universalisation of Elementary Education. In addition to research, development, training, extension, publication and dissemination activities, NCERT is an implementation agency for bilateral cultural exchange programmes with other countries in the field of school education. Its headquarters are located at Sri Aurobindo Marg in New Delhi. [Visit the Official NCERT website](#) to learn more.

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