

HUMAN ACTIVITIES

ECONOMIC

— Profession

— Employment

— Business (Any one connected with profit-earning
for goods and production & sale is said to
be engaged in business)

NON-ECONOMIC

ACCOUNTING AND ECONOMICS FOR ENGINEERS:

fast moving consumer goods - Hindustan PVT

Characteristics of Business:

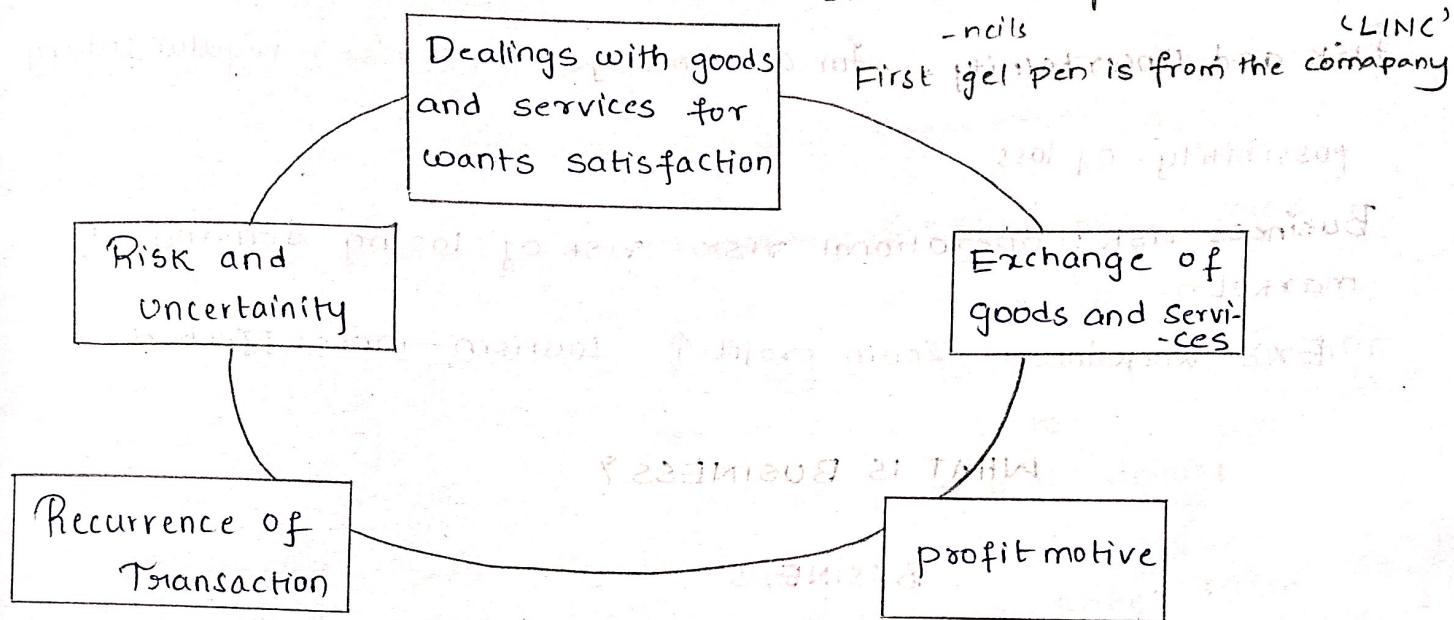
LTD, Santoor, Reynolds

and in writing instruments - pens / pc.

- nails

(LINC)

First gel pen is from the company



Goods → producer goods (capital goods)
→ consumer goods - TV's, automobiles etc. (Tangible)
→ service - electricity, car repair, water, gas supply etc.

Profit motive: Objective of business is profit. Some educational, health institutions, NGO's - Without any profit motive are called non-profit organisations.

• profit should be legal, reasonable and ethical.

Ex:- Lockdown - Cement - ↑ price (illegal)
(no production)

Profit maximization: In olden days - for immediate earning they increased prices.

Health maximization: Slowly increasing profit, spreading brand value, quality product (for slow and steady long run profit)

Ex:- Fevicol: Advertising - Health maximization

NOKIA: Olden days - No competitor

↳ didn't concentrate on ads. ← Nokia → (slow start)

When Android came, it can't fight against Samsung etc.)

ACCOUNTING FOR ECONOMICS AND BUSINESS

Discretionary expenditure - expenditure for future purposes.

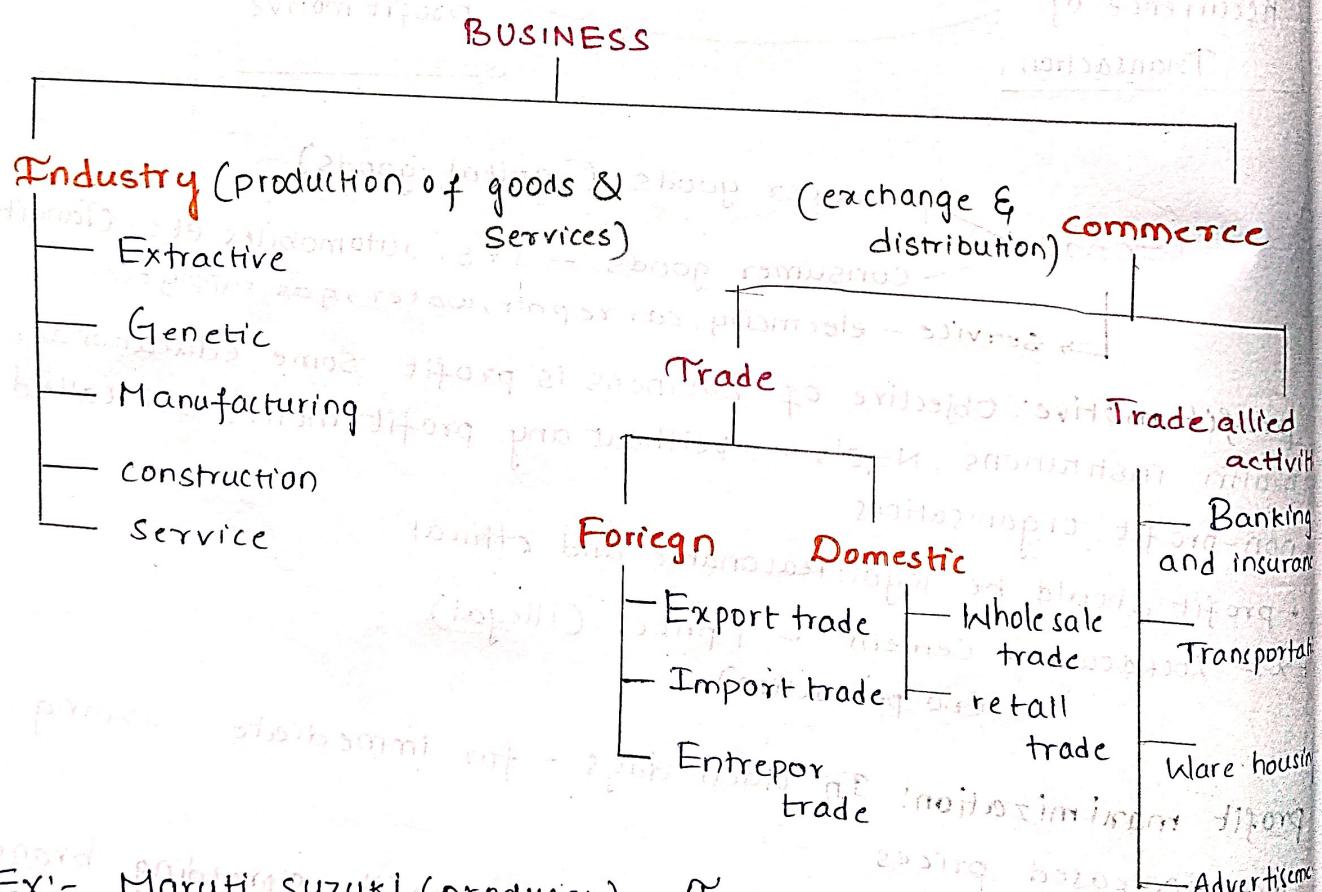
Recurrance of transaction - Continuous regular selling & buying

Risk and Uncertainty - for an employee - no risk, regular salary
possibility of loss

Business risk: operational risk - risk of losing demand in market.

Ex:- Lockdown - Zoom profit ↑ Tourism - most effected

WHAT IS BUSINESS?



Ex:- Maruti Suzuki (producer) - Industry

Consumer goes to Varunmotors (or) Jayabheri etc (Commerce)

(They are buying and selling)

Distribution channel:

→ Wholesaler → Retailer → Consumer
so that manufacturer → Industry
wholesaler, retailer → Commerce

Trade - Buying and selling

Industry is background of commerce

Extractive:- Connected with a profit with the extraction of coal, minerals etc from the earth.

x:- Drilling & pumping, Mining

ONGC: dig the natural gas and oil from earth & selling

Extractive Industry → producing & 2 lakh jobs in India

→ contributing 2.5% to GDP

→ contributing 10-11% of Total GDP of Industrial sector

→ contributing 106.4 US dollars

National Mineral policy (2019) declares that India is no.1 in producing Mica.

NALCO company (National Aluminium Company Ltd) in Odisha, India is 4th largest Bauxite producing company.

Genetic:- deals with seeds, plants etc.

Ex:- if a baby is born, this industry aims at studying past ancestral genes to know about various characteristics, diseases etc in the genes.

Genome project:

poultry products

cattle products

Tiglon: hybrid offspring of male tiger and female lion.

Liger: male lion & female tiger.

Manufacturing:- conversion of raw materials to finished products

Ex:- Textile, Ac's manufacturing, paper production etc.; Takes raw material from extractive industry

Construction: Construction of dams, bridges, roads etc.

5-6% GDP contribution

Ex:- L&T, NCC, Ramky → Raw material from extractive industry

SERVICE: contributes 58.5% of GDP to India (major of all offering health, educational, maintaining services)

- In mining, Geo-Scientists, soil-Scientists Services.
Annual growth is 1.5%.

31.45% population works in Service Sector

Ex:- Banks, tourism, real-estate etc.

TCS, Infosys, Wipro → Services

Classification of Manufacturing Industry	Other types of Industry	Other classification of Industry
Continuous Ind	Heavy Ind	Large scale Ind
Assembly Ind	Light Ind	Medium scale Ind
Analytical Ind	Design based	Small scale Ind
Synthetic Ind	Process based	Micro scale Ind

Continuous :- Raw material to product in one line (continuous manufacturing)
eg: Soap making

Assembly :- taking raw materials from others and combining (or) assembling
eg:- mobile manufacturing, electronics, auto mobiles

Analytical :- By analysing basic material
eg:- crude oil is analysed to make petroleum.

Synthetic :- Many materials being mixed and producing product
eg:- cement, silica etc.

large Scale Industries: more than 10 crores investment.

Medium Scale Industries: 5-10 crores.

Small: less than 5 crores & more than 25 lakh

Microscale: Less than 10 Lakhs investment.

Heavy Industry: Basic and key components

heavy industry typically involves large and heavy products or equipment and facilities (such as large machine tools & huge buildings)

light industry: these are generally less capital-intensive than heavy industry and is more consumer-oriented than business oriented, as it typically produces smaller consumer goods.

Relationship b/w commerce, Industry and Trade.

Business activities = Industry + commerce

* **commerce** is an activity where goods are transferred to the required ones.

"Distribution/exchange of goods and services is Commerce".

* The total sum of activities to remove hindrances in the process flow of providing goods & services to customers is known as commerce.

OBJECTIVE = PROFIT EARNING + SATISFACTION OF WANTS.

hindrances in the process of exchange of goods and services:-

① hindrances of persons: commerce (producers) should be able to connect people across different parts of the country/world. commerce is acting as a middle man by giving information about the product to the people. So we need dealers/wholesalers network. Hence commerce acts as a bridge b/w producer & consumer by removing hindrances of persons.

② **Hindrances of place:** E-commerce has removed place hindrance for ex Amazon - provides transportation so hence it removes place hindrances b/w producers & consumers.

③ **Hindrances of time:** Some products may not be available at some times. production is only at some seasons. So they are collected and stored and distributed when consumer needs

eg:- Ware-housing, cold-storage products

So that consumption will be throughout the year.

④ **Hindrances of exchange:** In earlier days, in Barter System people exchanged goods for goods, but now we have cash (or) online crediting through debit cards, banking etc. Still now people are working to ensure removal of hindrances of exchange.

⑤ **Hindrances of information:** A person should not buy a unworthy or low quality product for higher price. hence people wants proper information about product. So digital marketing is working to remove hindrances of information.

Industry - production of goods & Services

Commerce - Distribution of goods & Services (trade aids of trade)

Trade - purchase & sale of goods & services

Aids of Trade - SYSTEMS/organisations Supporting trade

Trade

Foreign

Domestic

either one of buyer or seller is outside the boundaries of country

Both buyer & seller in the boundaries of country

FOREIGN TRADE

- **Export trade:** producer is in our country and consumers are in other countries. Supplying goods to other countries

eg:- MADE IN INDIA

- Import trade: Consumer is in our country & producer is in other country. Buying / purchasing goods from other countries for our use.
 (a) MADE IN USA
- Export trade: Buying products in our country and immediately selling to other countries
 - Goods imported from one country & exported to other countries.
 - Also called **Re-trade**

this is due to no good relation b/w two countries, then intermediate country will be there.

Ex:- We export rice, leather, cars, automobiles etc to other countries like USA, hongkong, china etc.

DOMESTIC TRADE

here products produced in country are utilised by people of same country.

- Whole sale trade - Wholesaler buys in bulk → sells to retailer
 (a) types of goods this trade is in large quantity.
- RETAIL Trade - Retailer buys from wholesaler → sells to consumer. this trade is in small quantity.

Trade allied activities:

- Banking and insurance: Banking sector which helps in smoother ways of bank transaction by reducing hindrances of exchange 4% of GDP is coming from insurance companies giving wonderful service to business (mainly ONLINE INSURANCE to consumers)
 8 grnmt Banks, 22 pvt banks, 144 foreign banks etc.
 ₹ 2.59 crores of assets.
- Transportation: To remove hindrances of place & time, transportation is playing vital role.
 → Airlines are handling 17 million tonnes

Warehousing: Revenue generated by warehousing by is estimated to be 1000 billion INR. (International normalized rate)

- It deals with storage of seasonal related agricultural products
- 1) Agricultural product warehousing
- 2) Industrial product warehousing

We are unable to sell many products due to lack of warehousing techniques.

Bonded warehousing is required

Based on owner → public - FCI

Based on owner → private - (pvt godowns)

Bonded Warehousing Such as deep freeze or bulk liquid storage and coordination with transportation
→ and are integral part of global supply chain

so that imports & make storage & export (or) sell to the customers.

Based on Commodities stored → General - no need of mechanisms eg: temp

Special - Some special storage especially tribal products
Refrigerated eg: tobacco

Advertisements: Some needs refrigeration

30% of advertisements is for eg:- milk etc.

8% - automobiles eg:- FMC goods (fast moving consumer)

6% - TV's, AC's, fridges eg:- tea, salt & other groceries

5% - Retail

5% - Telecommunication Ads.

171 billion INR worth on newspaper Advertisements
→ The top spender on Ads is US followed by China and Japan
hence Ads play a vital role in promoting business.

Business objectives & Requisites:

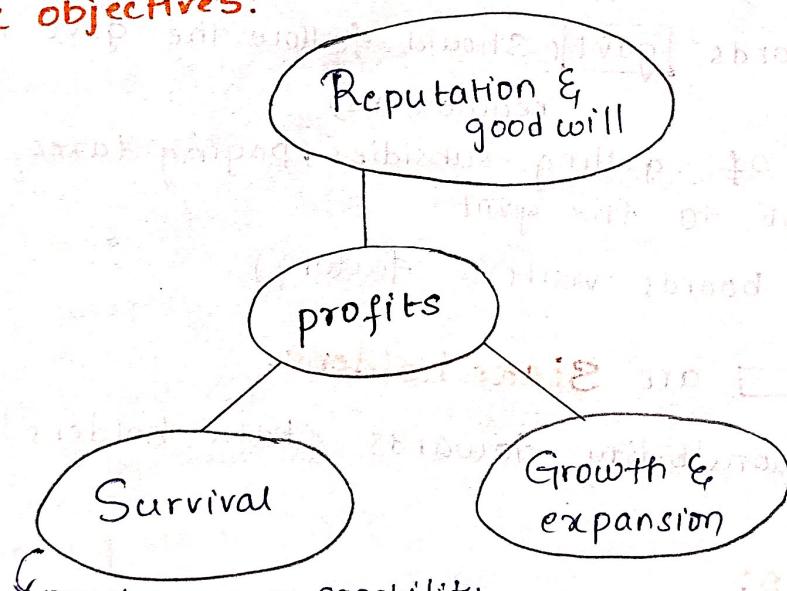
We are going to discuss about organic, economic, social, human and national objectives

Business - it is an economic objective but economy is not only the objective. its main objective is to satisfy the stakeholders.

Ex:- Henry Ford - started producing products such that people can buy them with affordable price.

Jamshedji Tata - started business with motive of serving the community.

Organic objectives:



must have a capability to survive in the competition.

Economic objectives:

- profits - it should not be the only goal, it should be reward.
- creation of customers.
- Innovation
- optimum utilization

- Social objectives:

- Supply of quality goods
- Avoidance of profiteering anti-social practices
- providing employing

ensure weights and measurements problems.

1kg - sugar

they give 900 grams so that 10 grms is missing

- Should have respect towards **employees** eg:- (Tata - care about employees)
- Should have responsibility towards **customers** customer satisfaction must be in top priority.
- Should have responsibility towards **share holders** (believed invested money)
- responsibility towards **creditors** (the person who supplied goods & raw materials on credit basis)
- responsibility of **bankers** (should remember them always as they provide loans)
- responsibility towards **govt** (should follow the govt rules & regulations)

ex:- at the time of getting subsidies, paying taxes should be transparent to the govt.

(pollution control boards visits a factory)

All the above are **State holders**.

- So finally responsibility towards **stake holders**.

- Human objectives:

- Reasonable remuneration and benefits to employees
(Giving training to employees)
- Development of human resources
(should be able to satisfy present & also think about future)
- participation in decision making:- Should involve higher employees in decision making
- Job satisfaction: for the employees

Ex:- deal with all workers (skilled, unskilled & semi skilled) in a proper way

If a skilled person is kept in a low-level work, then no satisfaction will be there.

• National objectives

→ Development of small scale industries (uplifting them)

- developing low level areas.

→ production according to national priorities

Ex:- In this corona virus period, pharma companies

are producing according to needs of nation.

→ National self reliance

→ Development of exports (Work on global demand)

Made in India → and export goods to foreign.

→ Development of training of skilled personnel

→ promoting social Justice.

→ Should give equal opportunities to all (no bias on gender)

(religion, status etc.)

Should show bias only based on talent, commitment &

transparency towards their work.

Requisites of Modern Business:

→ determination of objectives

→ planning and setting up of a proper organisation

→ proper place, think about the demand

→ Adequate finances

→ proper location, layout & size

→ Research & Development - Research on the demands

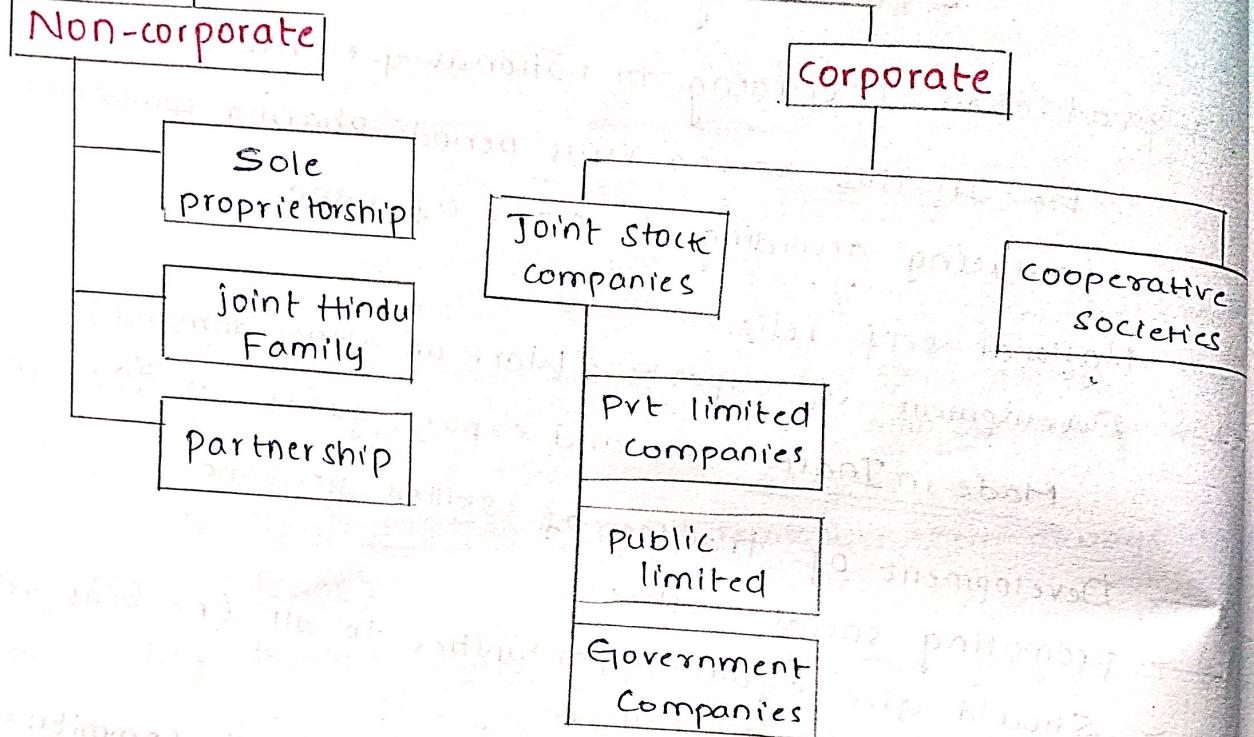
Ex:- Hindustan Motors didn't concentrate on R&D so that it couldn't face the competition of Maruti Suzuki.

→ Effective leadership (next leader)

Ex:- Mukesh Ambani & Anil Ambani

DIFFERENT FORMS OF BUSINESS ENTERPRISES

Forms of Business enterprises



Sole proprietorship: One person contributes & controls every thing.

Non-corporate: doesn't require any types of registration
Starts with just some local permission/licenses.

Joint Hindu family: Head of the family runs the business
entire family works for the business
• Minors in the family also gets rights. (Hierarchy)

Partnership: 2-20 people contributing to run the business

Corporate: There should be registration to start a company

Joint stock companies:

Pvt Ltd companies: 2-50 people, the capital is distributed to the people, not to the govt.

public limited: min 7 and maximum unlimited are contributing to the capital.

Govt companies: 51% or more is shared by the Govt.
Cooperative societies: min req - 10 persons, max - unlimited
eg:- Agricultural orgs, Milk producers (amul), marketing companies etc.

Common benefit by association

1912 - Corporative Societies Act, prevent of bad pd.

Forms and features of Business Enterprises:

- Suitable form of Business organization
- Different forms of Business Organization
- DEFINITION, FEATURES, MERITS and DEMERITS of Sole proprietorship.
- DEFINITION, FEATURES, MERITS and DEMERITS of partnership firms
- Partnership deed and types of partners
- DEFINITION, FEATURES, MERITS and DEMERITS of joint stock companies.
- Types of companies
- Different types of public enterprises.

Suitable form of Business organization.

- nature of the Business
- size of Business unit
- scope of management
- level of control
- amount of capital
- Risk or uncertainty
- direct relations with customers
- Duration of Business
- Tax exemptions
- Govt. control (in joint stock, govt. control is more)
- limited govt. control → partnership & solo

Definition of sole Trading concern:-

L.H. Haney: The head of which is an individual who is responsible, who directs its operations and who alone runs the risk and failure.

James Stephenson: A person who carries on Business exclusively by and for himself, he is not only the owner of the capital of undertaking, but is usually the organizer and manager and takes all profits and responsibility of losses.

Elbourne: It is a business and operated by one individual who carries all financial and administrative responsibilities employing such assistants as may be necessary.

Features of Sole trading Concern:-

(1) Individual Initiative

(2) Management and Control

(3) Unlimited liability: They can take personal asset, liability is not restricted to the business assets.

(4) Motivation We get direct amount which is proportional to our hardwork. No need of sharing business.

(5) Secrecy In case of tenders, the amount required - budget must be confidential. It is a vital requirement to run a business.

(6) Risk In case of losses, the individual will only be responsible and has the only risk.

(7) Uncertain existence

If a person alone is running the business, and suddenly becomes ill, & didn't explain anything to his family generally in Sole proprietorship when proprietor dies, the business dies.

so uncertain existence in partnership, other partner takes care

(8) Scope of operations

It is limited, they are restricted to one place, one product etc.,

(9) Govt. Regulations

no much govt. control Registration is not mandatory
It may be mandatory for only some.

Merits of sole trading Concern:-

(1) easy formation

(2) facility of direct control have full direct control

(3) Maintenance of Business secrets

(4) Easy to raise finances

(5) quick decision making : In case of joint stock, a meeting with board - it is lengthy
In sole proprietorship, we can take immediate decision.

(6) cost effective management

(7) Good relation with customers : Absolute relationship

(8) Immediate rewards for efforts

(9) Min. govt. regulations

(10) socially desirable

Demerits of sole trading Concern:

(1) Limited financial resources

(2) Unlimited liability

(3) limited managerial ability

(4) Uncertain existence

(5) No large scale economies:- As it is limited to one place or product

(6) heavy risk

(7) May not able to face the competition

(8) Dominance of employees

(9) No support in making decisions

Q. Definition of partnership firm:-

Lt kimball and kimball: A partnership firm is a group of men who have joined capital or services for the purpose of some enterprise.

prof haney: Partnership is the relationship b/w the persons who agree to carry on a business in common with a view to private gain.

As per Section 4 of Partnership Act 1932 : Partnership means the relation b/w persons who have agreed to share the profits of a business carried on by all or any of them acting.

Partnership deed:-

- Name of the firm
- Nature of the business
- place of the business
- Name and address of the partners
- Date of Agreement
- Duration of partnership
- Capital investment made by the partners
- profit and loss sharing ratios → Capital sharing & profit sharing may be different
- Interest on loans advanced by the partners