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Assignment - 1

AEE

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CSE 4

1. a) Define business and explain important characteristics of business.

Ans Business:

Business refers to an occupation in which people regularly engage in activities to purchase, production & / or sale of goods & services with a view to earn profits / exchange of goods or supply of services to satisfy the needs of other people.

Characteristics of Business Activities.

① An economic Activity: Business is considered to be an economic activity because it is undertaken with the objective of earning money or livelihood and not of any emotion. This activity can be undertaken either on small scale / large scale.

② Production or Procurement of goods & services: Every business enterprise either manufactures the goods it deals in or acquires them from producers, to be further sold to customers / users.

③ Sale or exchange of goods and services: Directly / Indirectly business involves transfer / exchange of goods & services for value b/w the seller & buyer.

④ Dealings in goods and services on a regular basis:-

Business involves dealings on a regular basis. A single transaction of sale or purchase, therefore doesn't constitute it.

⑤ Profit earning: The main purpose of business is to earn income by way of profit. No business can survive long without profit.

⑥ Uncertainty of return: Every business invests money (capital) to run its activities with the objective of earning profit.

⑦ Best Element of risk: Risk is the uncertainty associated with an exposure to loss. It is caused by some unfavorable or undesirable events.

b) Explain the relationship between industry, commerce, trade.

Ans Industry is the production of goods & services.
Commerce is the distribution and exchange of goods and services.

Trade is the purchase and sale of goods and services.

Relationship b/w Industry, commerce, trade.

Business Activities = Industry + commerce.

There is a close interaction b/w industry, commerce & trade.

One can't function without the support of others.

Commerce helps industries before and after the production through the purchase of materials & sale of finished product.

Production is meaningless unless they are distributed among the consumers.

Trade, involving buying and selling of goods maintain smooth flow of commerce and thereby supports industry.

At the same time, industry provides the goods and services for distribution & thereby gives rise to commerce.

As industry develops, trade & commerce also grow.

For example: Industries provide goods & services which are distributed through commerce. No commercial activity is possible in absence of industry & production.

At the same time, industry & production cannot survive unless the goods and services are distributed through commerce. \therefore they both are inter dependent.

Industry provides base for commerce & commerce serves as backbone of industry.

Trade involves buying and selling of goods. It is the nucleus of commerce as all business activities revolve around an exchange. Trade provides the solid foundation upon which the superstructure of commerce has been raised. It provides necessary support to industry and maintains a smooth flow of commerce.

2. a. Define a partnership firm. Explain its merits & demerits

Ans Partnership firm: Indian Partnership Act, 1932 defines "Partnership as the relationship b/w 2 or more persons who agree to share the profits of the business carried on by all or any of them acting for all".

Merits

- ① easy to form: Once there is a group of likeminded persons & good business proposal, it is easy to start & register a partnership.
- ② Availability of large amount of capital: More amount of capital can be raised from more no. of partners.
- ③ Division of labour: The different partners can come with varied backgrounds and skills. This facilitates division of labour.
- ④ Flexibility: The partners are free to exchange their decisions.
- ⑤ Personal contact with customers: There is scope to keep close monitoring with customer requirements by keeping one of partners in charge of sales & marketing.
- ⑥ Quick & prompt action: If there is consensus among partners it is enough to implement any decision & initiate prompt action.
- ⑦ Tax rate: When compared to a company form, tax rate is low.

Demerits

- ① Formation of partnership is difficult: Only likeminded people can start a partnership.
- ② Unlimited liability: Even the personal properties of the partner can be attached. The solvent partner has to bear the entire burden on business loss.
- ③ Lack of harmony or cohesiveness: This results in mutual conflicts, an attitude of suspicion and crisis of confidence, delay in decisions & ~~prolog~~ paralyse the entire operations.
- ④ Instability: The firm may be dissolved on death, insolvency & insanity of any of the partners.

③ Limited growth: When compared to a company, resources raised in this form of organization are limited.

④ High tax rate: When compared to sole trader, tax rate is higher.

⑤ Lack of public confidence: The partnership can create confidence in other only with performance.

b) Explain the procedure adopted for the promotion of a company

Ans Incorporation of a company:- This certificate is just like 'date of birth' certificate. Necessary documents before approaching the register of companies:

1. An industrial license if the proposed business is covered by industries Act 1951.
2. An import licence if the machinery & equipment is to be imported.
3. Approval of government, in case of foreign collaborations.
4. Approval of government, under Monopolies and Restrictive Practices Act 1961 if necessary.
5. Certificate accepting the name.

Required documents are:

1. Memorandum of Association: It is also called the charter of the company. It outlines the relations of the company with outsiders.

i. Name clause: It outlines the name of the company like ltd, Pvt. Ltd company.

ii. Situation clause: It gives details of registered office.

iii. Objects clause: It furnishes the objective and purpose of establishing the company.

iv. Capital clause: It gives details related to the share capital.

v. liability clause : The liability of company is limited liability.

vi. subscription clause:- A declaration duly executed by its subscribers.

2. Articles of Association : It furnishes the bylaws or internal rules that govern

3. The list of names and addresses of the proposed directors should be mentioned.

4. A statutory declaration that all the legal requirements have been fulfilled. It has been duly signed by any one of following, a company secretary, director, legal solicitor, a chartered accountant or advocate of high court.

5. Name Approval certificate.

6. Consent letter of the directors.

7. Receipt of Registration.

8. Statement of Authorized Capital.

Certificate of commencement of Business

A private company need not obtain the certificate of commencement of Business. It can start its commercial operations immediately after obtaining the certificates of incorporation.

For a public company, further details are to be furnished:-

a, seek permission from securities exchange board of India (SEBI)

b. File prospectus -

c, Collecting minimum subscription -

d, Allotment of shares.

e, Apply to register for certificate of commencement of business.