PART - A : FOUNDATION OF BUSINESS

CHAPTER-1

EVOLUTION AND FUNDAMENTALS OF BUSINESS

Topic-1 History and Concept of Business

Revision Notes

- **History of commerce in India**
  - **(i)** Banking in India dates back to Vedic Age.
    - **(a)** The Vedas and Manusmriti consist of the term usury meaning practice of making unethical monetary loan that unfairly riches the lender.
    - **(b)** The mention of loan deeds as rnapatra or rnapanna or malekhaya in Kautilya's Arthshastra indicates the existence of unorganised banking system in India during that age.
    - **(c)** Adhesha used during Mauryan period is the forefather of present day Bill of Exchange.
    - **(d)** Loan deeds were referred to as dastawez-e-indultalab (payable on demand) and dastawez-e-miadi (payable after expiry of stipulated time) during Mughal period.
    - **(e)** The first bank established under British Rule was Union Bank of Calcutta in 1829.
    - **(f)** The first foreign bank that opened branch in India was Grindlays Bank in 1864.
    - **(g)** The first fully Indian bank was Oudh Commercial Bank in 1881.
    - **(h)** The period of 1906-1911 saw establishment of banks influenced by Swadeshi Movement which led to evolution of Bank of Baroda, Bank of India, Canara Bank and Central Bank of India.
    - **(i)** The Reserve Bank of India (established in 1935, nationalised in 1949) took reins of banking structure in India in 1949 with the passing of Banking Regulation Act.
  - **(ii) The traditional transportation system of India**
    - **(a)** It was mainly human or animal powered and included palanquins and carriages or carts pulled by ox, bullock, elephant, camel, horse, etc.
    - **(b)** With the advent of trade, roads were developed and gave way to development of automobiles, cars, two-wheelers, buses, rickshaws.
    - **(c)** The Indian Railways dated back to 1853, when the first passenger train ran between Bombay and Thane, a distance of 34 km.
    - **(d)** Today, Indian Railways is the fourth largest network in the world.
    - **(e)** With metro and monorail operational, India is making rapid progress in transportation.
  - **(iii) Major trade centres of India**
    - **(a)** Gujarat – Cotton, Patola cloth, Furniture
    - **(b)** Bengal – Cotton, Silk, Jute, Muslin
    - **(c)** Golconda – Textile
    - **(d)** Shaliat – Textile
    - **(e)** Pulicat – Textile, Cutting and polishing of stones
    - **(f)** Sindh – Furniture
    - **(g)** Deccan – Furniture, Diamond
    - **(h)** Calicut – Cutting and polishing of stones
    - **(i)** Vijayanagar – Cutting and polishing of stones
    - **(j)** Kannauj – Rice, Sugar
    - **(k)** Punjab – Wheat
    - **(l)** Dhar – Betel leaves
  - **(iv) Trade Ports and Exchange Points**
    - **(a)** Delhi
    - **(b)** Masulipatnam
    - **(c)** Bhatkal
    - **(d)** Cochin
    - **(e)** Quilon
    - **(f)** Calicut

(g) Khambat **(h)** Mangalore **(i)** Limbodar

(j) Dabhol

(v) Major trade communities

(a) Multanis and Punjabis – North India

(b) Bhats – Gujarat

(c) Khorasanis – Foreigners providing professional services

(vi) Major Imports

(a) Horses (Kabul)

(b) Dry Fruits and Precious Stones (Arabia)

(c) Glassware (Europe)

(d) Satin (West Asia)

(e) Porcelain (China)

(vii) Major Exports

(a) Silk **(b)** Gold-embroidered cloth caps **(c)** Clay pots

(d) Sugar **(e)** Indigo **(f)** Sandalwood

(g) Spices **(h)** Diamond **(i)** Coconuts

- **Types of human activities -** (i) Economic Activities, (ii) Non-Economic Activities
- **Types of economic activities -** (i) Business, (ii) Profession, (iii) Employment.
- **Concept of business -** Business in an economic activities which is concerned with the production and sale of goods and services on a regular basis needed by the society with the aim of earning profit.
- **Definitions of business**

(i) "Business may be defined as an activity in which different persons exchange something of value, whether goods or services for mutual gain or profit"

—Peterson and Plowman

(ii) "Business is an institution organised and operated to provide goods and services to society under the incentive of private gain."

—Wheeler

(iii) "Business may be defined as human activity directed towards producing or acquiring wealth through buying and selling goods.

—L. H. Haney

- **Characteristics of business**

(i) An economic activity: Business is considered as an economic activity as it is undertaken with the objective or aim of earning money and livelihood and not for psychological satisfaction.

(ii) Production of goods and services: Every business enterprise either produces goods or services. Goods may consist of consumer or industrial goods and services may include transportation banking insurance, etc.

(iii) Profit earning: The main purpose of business is earning profit. If the profit motive is missing in a transaction then it cannot be considered as a business transaction.

(iv) Uncertainty of risk: Another important feature of business is the presence of risk factor in a transaction. There is always a possibility of loss.

- **Business as an economic activity**

(i) Profit motive: The main motive of every business activity is to earn money in the form of profit and any activity which result in earning of money and creation of wealth is considered as an economic activity.

(ii) Creation of utility: Business activity results in creation of utilities. Businessmen create three types of utilities like; form utility, time utility and place utility.

(iii) Exchange of goods and services: Economic activity aims at earning by exchange of goods and services similarly, business activities result in sale, distribution or exchange of goods and services for earning profit.

- **Objectives of business**

(i) Economic objectives

(a) Earning profits

(b) Survival and Growth

(c) Creation of new customers

(d) Innovation

(e) Optimum utilisation of resources

(f) Market standing

(ii) Social objectives

(a) Quality of goods

(b) Fair trade practices

(c) Generation of employment

(d) Welfare of employees

(iii) Human or Individual Objectives

(a) Providing good working conditions

(b) Payment of competitive and satisfactory wages and salaries

(c) Providing special benefits such as housing facility, medical facility, free education of children, etc.

- **Role of profit in business**

  (i) Source of income
  (ii) Source of finance
  (iii) Efficient working of business
  (iv) Goodwill
  (v) Reward for risk bearing

Topic-2 Types of Business Activities

Revision Notes

- **Classification of Industry: (i)** Primary Industries. **(ii)** Secondary Industries. **(iii)** Tertiary or Service Industries.
- **Functions of Commerce: (i)** Eliminates hindrances of persons. **(ii)** Eliminates hindrances of place. **(iii)** Eliminates hindrances of time. **(iv)** Eliminates hindrances of risk. **(v)** Eliminates hindrances of finance. **(vi)** Eliminates hindrances of information.
- **Classification of business activities**
- **Classification of Commerce:** Commerce can be classified into two broad categories:
  - **Trade: (i)** Internal trade or domestic trade. **(ii)** External trade or foreign trade. **(iii)** Wholesale trade. **(iv)** Retail trade.
  - **Auxiliaries (Aids) to Trade: (i)** Transport and communication. **(ii)** Banking and finance. **(iii)** Insurance. **(iv)** Warehousing. **(v)** Advertising.

Topic-3 Business Risk

Revision Notes

- **Meaning of Business Risk:** It refers to uncertainties or unexpected events, which are beyond control. In other words, business risk means a chance of incurring losses or loss profit than expected.
- **Nature of business risk**

  (i) Business risks arise due to uncertainties.
  (ii) Risk is an essential part of every business.
  (iii) Degree of risk depends mainly upon the nature and size of business.
  (iv) Profit is the reward for risk taking.
- **Causes of business risks: (i)** Natural causes. **(ii)** Human causes. **(iii)** Economic causes. **(iv)** Other causes.
- **Methods of dealing with risks: (i)** Avoiding high-risk transactions. **(ii)** Insurance policies. **(iii)** Provisions. **(iv)** Risk sharing. **(v)** Preventive measures.
- **Types of business risk: (i)** Insurable risk **(ii)** Non-Insurable risk.

(iii) Economic causes: These include uncertainties relating to demand for goods, competition, price, collection of dues from customers, change of technology or method of production, etc. Financial problems like rise in interest rate for borrowings, heavy or higher taxes, etc. also come under these types of causes as they result in higher unexpected cost of operation of business.

(iv) Other causes: These are unforeseen events, such as political disturbances, mechanical failures such as bursting of boiler, fluctuations in exchange rates, etc., which lead to the possibility of business risks.

Key Terms

- **Economic activities:** Are those activities which are undertaken by people with the object of earning income or livelihood or to satisfy material needs *e.g.*, a worker working in a factory, a taxi driver driving a taxi, etc.

- **Non-Economic activities:** Are those activities which are undertaken to satisfy social, psychological and emotional needs. The purpose of these activities is not to earn money or to satisfy material needs. *e.g.*, person engaged in religious work, a mother looking after her children, etc.
- **Business:** It is a human economic activity, concerned with the purchase or production and sale of goods supply of services with a view to earn profits by satisfying the needs of consumers.
- **Profession:** It refers to an economic activity which requires some specialised skill or knowledge is governed by certain code of conduct and is done with service motive. *e.g.*, doctors, lawyers, etc.
- **Employment:** Employment is an occupation where an individual agrees to work for a person or an organisation in return of wages or salaries. *e.g.*, managers, clerks, factory workers etc.
- **Industry:** Includes all those activities that are concerned with the conversion of raw material into useful products (production). Using mechanical appliances and technical skills. *For e.g.* cement industry, textile industry, etc. The term industry is also used to mean group of firms producing similar or related goods.
- **Primary Industries:** Includes all those activities which are concerned with the extraction and production of natural resources, reproduction and development of living organisms, plants etc.
- **Secondary Industries:** Are concerned with using the materials which have already been extracted at the primary stage to produce goods for final consumption.
- **Construction Industries:** These are involved in the construction of buildings, dams, roads, tunnels, etc. wherein architectural and engineering skills are required.
- **Tertiary Industries:** Are concerned with providing support services to primary and secondary industries as well as activities assisting trade *e.g.*, transport, communication, etc.
- **Commerce:** It embraces all those activities which are necessary for maintaining a free flow of goods and services from the point of production to the point of ultimate consumption. Thus providing a necessary link between producers and consumers. It includes both Trade and Auxiliaries to trade.
- **Trade:** Involves the buying and selling or transfer or exchange of goods and services.
- **Internal Trade:** Means trade within the boundaries of a nation. It can be of two types: wholesale and retail trade.
- **External Trade:** Means trade across the boundaries of nation. It is of three types: Import, export and entrepot trade.
- **Auxiliaries to trade:** Includes all those activities which are meant for assisting trade.
- **Extractive Industry:** It includes all those activities which extract or draw out various products from natural resources some examples of these industries are—hunting, farming etc.
- **Genetic Industry:** These industries remain engaged in breeding plants and animals for their use in further reproduction.
- **Manufacturing Industry:** These industries are engaged in producing goods through processing of raw materials and thus creating form utilities.
- **Analytical Industry:** These industries analyse and separate different elements from the same material. *e.g.*, oil refinery, etc.
- **Synthetical Industry:** These industries combine various ingredients into a new product as in case of cement industry.
- **Processing Industry:** Are those industries which involve successive stages for manufacturing finished products *e.g.*, sugar industry, etc.
- **Assembling Industry:** These industries assemble different component parts to make a new product. *e.g.*, Television, car, etc.
- **Transporting and communication:** The auxiliaries to trade which remove hindrance of place.
- **Banking and Finance:** Involves banking and financing services which remove hindrance of finance for business.
- **Insurance:** It is a device which gives protection against risk of uncertain events or removes hindrance of risk.
- **Warehousing:** It means storing of goods till the time they are demanded in the market and warehousing removes hindrance of time.
- **Advertising:** It is the tool of promoting the goods and services to maximise sales and to create demand. It removes hindrance of information.
- **Business risk:** Business risk may be defined as possibility of loss or inadequate profits due to some unforeseeable, unpredictable and unfavourable events.
- **Speculative risk:** It involves both the possibility of gain as well as possibility of loss. It arises due to change in market conditions, fluctuation in price, etc.
- **Pure risk:** It involves only the possibility of loss or no loss. Fire, theft, strikes are the examples of pure risk.
- **Natural causes of risk:** These are beyond the control of businessman. *e.g.*, flood, earthquake, hailstorm, etc.
- **Human causes:** Caused due to undesired human behaviour and attitude of human resources *e.g.*, dishonesty, carelessness of employees, management inefficiency, etc.
- **Economic causes:** These are related to changes in the business environment and have direct impact on the earnings of the business *e.g.*, change in tax policy, change in demand, customers tastes and preference, etc.

- **Market conditions:** State of economic activities (Demand and supply) in the market.
- **Insurable risk:** The risks which can be recovered are insurable risk. The losses which can be made good, or losses for which company can get compensation from insurance company are called insurable risk.
- **Non-insurable risk:** The risk for which no protection is available is called non-insurable risk. Generally, the economic risk and human risk are non-insurable risk.

CHAPTER-2

FORMS OF BUSINESS ORGANISATIONS

Topic-1 Sole Proprietorship

Revision Notes

- According to J. L. Hansen, "Sole trader is a type of business unit where a person is solely responsible for providing the capital, for bearing the risk of the enterprise and for the management of business."
- A sole proprietorship is an unincorporated business that is owned by one individual with no legal distinction between the business and owner. In this form of business, the owner and the business are taken as one and the same person.

  It is also sometimes referred to as a "sole trader", "individual entrepreneurship", or "proprietorship."
- **Characteristics of sole proprietorship**
  (i) Hardly any legal formalities are required to start a sole proprietary business.
  (ii) Closure of the business can also be done easily
  (iii) Sole proprietors have unlimited liability.
  (iv) Sole risk bearer and profit recipient.
  (v) Right to run the business and make all decisions.
  (vi) Business does not have an identity separate from the owner.
  (vii) Death, insanity, imprisonment, physical ailment or bankruptcy of the sole proprietor will have a direct and detrimental effect on the business and may even cause closure of the business.
- **Merits**
  (i) Quick decision making
  (ii) Confidentiality of information
  (iii) Direct incentive
  (iv) Sense of accomplishment
  (v) Ease of formation and closure
- **Limitations**
  (i) Limited resources
  (ii) Limited life of a business concern
  (iii) Unlimited liability
  (iv) Limited managerial ability

Topic-2 Partnership

Revision Notes

- The Indian Partnership Act, 1932 defines partnership as "the relation between persons who have agreed to share the profit of the business carried on by all or any one of them acting for all."

- **Features**
  - **(i)** Comes into existence through a legal agreement among the partners
  - **(ii)** The partners of a firm have unlimited liability
  - **(iii)** Profits and losses are shared by the partners in an agreed ratio
  - **(iv)** Decisions are generally taken with mutual consent
  - **(v)** Death, retirement, insolvency or insanity of any partner can bring an end to the business. The remaining partners may if they so desire continue the business on the basis of a new agreement
  - **(vi)** Minimum number of partners is two. Maximum number of partners in a partnership firm can be 100, subject to the number prescribed by the government. At present, the maximum number of members can be 50.
  - **(vii)** Every partner is both an agent and a principal. He is an agent of other partners as he represents them and thereby binds them through his acts. He is a principal as he too can be bound by the acts of other partners
- **Merits**
  - **(i)** Ease of formation and closure
  - **(ii)** Balanced decision making
  - **(iii)** More funds
  - **(iv)** Sharing of risks
  - **(v)** Secrecy
- **Limitations**
  - **(i)** Unlimited liability
  - **(ii)** Limited resources
  - **(iii)** Possibility of conflicts
  - **(iv)** Lack of continuity
  - **(v)** Lack of public confidence
- **Types of Partnership**
  - **(i) On the basis of duration**
    - **(a) Partnership at will** : Terminated when any partner gives a notice of withdrawal from partnership to the firm.
    - **(b) Particular partnership :** Dissolves automatically when the purpose for which it was formed is fulfilled or when the time duration expires.
  - **(ii) On the basis of liability**
    - **(a) General partnership:** The liability of partners is unlimited and joint.
    - **(b) Limited partnership:** the liability of at least one partner is unlimited whereas the rest may have limited liability.
    - **(c) Partnership Dead:** It is an agreement between the partners of the firm which outlines the terms and conditions of the partnership between partners.
- **Contents of partnership deed**
  - **(i)** Name of firm
  - **(ii)** Nature of business and location of business
  - **(iii)** Duration of business
  - **(iv)** Investment made by each partner
  - **(v)** Distribution of profits and losses
  - **(vi)** Duties and obligations of the partners
  - **(vii)** Interest on capital and interest on drawings
  - **(viii)** Procedure for dissolution of the firm
  - **(ix)** Method of solving disputes
- **Registration of partnership firm:** It is optional for a partnership firm to get registered. It is advisable to get the firm registered.
- **Consequences of non-registration of a firm**
  - **(i)** A partner of an unregistered firm cannot file a suit against the firm or other partners,
  - **(ii)** The firm cannot file a suit against third parties, and
  - **(iii)** The firm cannot file a case against the partners.
- **Procedure for registration of firm**
  - **(i)** Submission of application in the prescribed form to the Registrar of firms.
  - **(ii)** Deposit of required fees with the Registrar of Firms.
  - **(iii)** The Registrar after approval will make an entry in the register of firms and will subsequently issue a certificate of registration.

- **Types of Partners**
  - **(i) Active Partner/Managing Partner :** An active partner is also known as Ostensible Partner. As the name suggests he takes active participation in the firm and the running of the business. He carries on the daily business on behalf of all the partners. This means he acts as an agent of all the other partners on a day to day basis and with regards to all ordinary business of the firm.
    Hence when an active partner wishes to retire from the firm he must give a public notice about the same. This will absolve him of the acts done by other partners after his retirement. Unless he gives a public notice he will be liable for all acts even after his retirement.
  - **(ii) Dormant/Sleeping Partner :** This is a partner that does not participate in the daily functioning of the partnership firm, i.e. he does not take an active part in the daily activities of the firm. He is however bound by the action of all the other partners.
    He will continue to share the profits and losses of the firm and even bring in his share of capital like any other partner. If such a dormant partner retires he need not give a public notice of the same.
  - **(iii) Nominal Partner :** This is a partner who does not have any real or significant interest in the partnership. So, in essence, he is only lending his name to the partnership. He will not make any capital contributions to the firm, and so he will not have a share in the profits either. But the nominal partner will be liable to outsiders and third parties for acts done by any other partners.
  - **(iv) Partner by Estoppel :** If a person holds out to another that he is a partner of the firm, either by his words, actions or conduct then such a partner cannot deny that he is not a partner. This basically means that even though such a person is not a partner he has represented himself as such, and so he becomes partner by estoppel or partner by holding out.
  - **(v) Partner in Profits Only :** This partner will only share the profits of the firm, he will not be liable for any liabilities. Even when dealing with third parties he will be liable for all acts of profit only, he will share none of the liabilities.
  - **(vi) Minor Partner :** A minor can be admitted to the benefits of a partnership firm with the mutual consent of all other partners. In such cases, his liability will be limited, will not be eligible to take an active part in the management of the firm, can share only the profits, cannot be asked to bear the losses and can inspect the accounts of the firm.

Topic-3 Hindu Undivided Family Business

Revision Notes

- Three successive generations can be the members in the business.
- According to the Hindu Succession (Amendment) Act, 2005, the daughter of a coparcener of a Joint Hindu Family shall, by birth, becomes a coparcener. The eldest (male) of Joint Hindu Family shall become Karta. Married daughter has equal rights in property of a Joint Hindu Family.
- **Features**
  - **(i)** There should be at least two members in the family.
  - **(ii)** The liability of all members except the karta is limited. The karta has unlimited liability.
  - **(iii)** The control of the family business lies with the karta.
  - **(iv)** The business continues even after the death of the karta as the next eldest member takes up the position of karta.
  - **(v)** Minors can also be members of the business.
- **Merits**
  - **(i)** Effective control
  - **(ii)** Continued business existence
  - **(iii)** Limited liability of members
  - **(iv)** Increased loyalty and co-operation
- **Limitations**
  - **(i)** Limited resources
  - **(ii)** Unlimited liability of karta
  - **(iii)** Dominance of karta
  - **(iv)** Limited managerial skills

Topic-4 Co-operative Society

Revision Notes

- **Meaning :** A co-operative society is often a voluntary association of individuals who come together with the intention to work together and to promote their economic interest. These societies work on the principle of self-help as well as mutual help.
- **Registration** : The co-operative society is compulsorily required to be registered under the Co-operative Societies Act, 1912. The process of setting up a co-operative society is simple enough and at the most what is required is the consent of at least ten adult persons to form a society.
- **Characteristics**
  - **(i)** Voluntary membership
  - **(ii)** Separate legal entity distinct from its members
  - **(iii)** Limited liability
  - **(iv)** Control lies in the hands of an elected managing committee
  - **(v)** Service motive
- **Merits**
  - **(i)** Equality in voting status
  - **(ii)** Limited liability
  - **(iii)** Stable existence
  - **(iv)** Economy in operations
  - **(v)** Support from government
  - **(vi)** Ease of formation
- **Limitations**
  - **(i)** Limited resources
  - **(ii)** Inefficiency in management
  - **(iii)** Lack of secrecy
  - **(iv)** Government control
  - **(v)** Differences of opinion
- **Types of co-operative societies**
  - **(i)** **Consumer's co-operative societies:** to protect the interests of consumers.
  - **(ii)** **Producer's co-operative societies:** to protect the interest of small producers.
  - **(iii)** **Marketing co-operative societies:** to help small producers in selling their products.
  - **(iv)** **Farmer's co-operative societies:** to protect the interests of farmers by providing better inputs at a reasonable cost.
  - **(v)** **Credit co-operative societies:** to provide easy credit on reasonable terms to the members.
  - **(vi)** **Co-operative housing societies:** to help people with limited income to construct houses at reasonable costs.

Topic-5 Company

Revision Notes

- **Meaning :** A company is a legal entity formed by a group of individuals to engage in and operate a business enterprise in a commercial or industrial capacity. A company's business line depends on its structure, which can range from a partnership to a proprietorship, or even a corporation.
- **Characteristics**
  - **(i)** Artificial person
  - **(ii)** Separate legal identity
  - **(iii)** Formation is time consuming and complicated
  - **(iv)** Perpetual succession
  - **(v)** Control and management by Board of Directors who are directly accountable to shareholders
  - **(vi)** Limited liability of shareholders

(vii) Common seal

(viii) Risk borne by shareholders

- **Merits**
  - **(i)** Limited liability
  - **(ii)** Transfer of interest
  - **(iii)** Perpetual existence
  - **(iv)** Scope for expansion
  - **(v)** Professional management
- **Limitations**
  - **(i)** Complexity in formation
  - **(ii)** Lack of secrecy
  - **(iii)** Impersonal work environment
  - **(iv)** Numerous regulations
  - **(v)** Delay in decision making
  - **(vi)** Oligarchic (small group of people having the control) management
  - **(vii)** Conflicts in interests
- **Types of companies**
  - **(i)** **Private Company:** A company which
    - **(a)** restricts the right of members to transfer its shares
    - **(b)** has a minimum of 2 and a maximum of 200 members, excluding the present and past employees
    - **(c)** does not invite public to subscribe to its share capital
    - **(d)** it is necessary for a private company to use the word private limited after its name.
  - **(ii)** **Privileges of a private limited company:**
    - **(a)** can be formed by only two members
    - **(b)** no need to issue a prospectus
    - **(c)** allotment of shares can be done without receiving the minimum subscription.
    - **(d)** needs to have only two directors
    - **(e)** not required to keep an index of members
  - **(iii)** **Public Company:** A company which :
    - **(a)** has a minimum of 7 members and no limit on maximum members
    - **(b)** has no restriction on transfer of shares
    - **(c)** is not prohibited from inviting the public to subscribe to its share capital or public deposits.

  The words "One Person Company" shall be mentioned in brackets below the name of such company, wherever its name is printed, affixed or engraved.
- **Characteristics of One Person Company:**
  - **(i)** A single shareholder holds 100 percent share holding.
  - **(ii)** Only a natural person who is a resident of India and also a citizen of India can form a one person company.
  - **(iii)** A person can be a shareholder in only single One Person Company at any given time.
  - **(iv)** A One Person Company may have only one director. The total number of directors shall not be more than 15.
  - **(v)** **Nominee:** The person forming the One Person Company has to nominate a Nominee with his written consent who, in the event of death or inability to contact the owner of the One Person Company, shall come forward and take over the reins of the one person company.
  - **(vi)** The requirements of being a resident Indian and citizen of India also apply to the nominee.
  - **(vii)** A person can be a nominee in only single One Person Company at any given time.
  - **(viii)** The member can change the nominee at any point of time.
  - **(ix)** One Person Company also gets freedom from complying with many requirements normally applicable to other private limited Companies. Some such compliances are:
    - **(a)** No requirement to hold annual or extra ordinary general meetings.
    - **(b)** Annual returns can be signed by the Director himself instead of a Company Secretary

Topic-6 Formation of Company and Choice of Form of Business Organization

Revision Notes

- **Process of formation of a company is divided in three stages:**
  - **(i)** Promotion
  - **(ii)** Incorporation
  - **(iii)** Subscription of capital
- Promotion is the first stage in the formation of a company.
- Promotion involves conceiving a business idea and taking an initiative to form a company so that practical shape can be given by exploiting the available business opportunity.
- **Promoter :** The person who undertakes to form a company with reference to a given project and set it going and who takes the necessary steps to accomplish that purpose.
- Section 69 of the Companies Act defines promoter as a person:
  - **(i)** Who has been named in the prospectus as such
  - **(ii)** Who has control over the affairs of the company, directly or indirectly
  - **(iii)** In accordance with whose advice, directions or instructions, the Board of Directors of the company is accustomed to act.
- **Functions of a promoter:**
  - **(i)** Identification of business opportunity
  - **(ii)** Feasibility studies
    - **(a)** Technical feasibility
    - **(b)** Financial feasibility
    - **(c)** Economic feasibility
  - **(i)** Name approval
  - **(ii)** Fixing up signatories to the Memorandum of Association
  - **(iii)** Appointment of professionals
  - **(iv)** Preparation of necessary documents
- **Documents required to be submitted at the time of application for registration**
  - **(i)** Memorandum of Association
  - **(ii)** Articles of Association
  - **(iii)** Consent of Proposed Directors
  - **(iv)** Agreement which the company proposes to enter with any individual for appointment as its Managing Director or Whole Time Director or Manager
  - **(v)** Statutory Declaration
  - **(vi)** Receipt of Payment of Fees
- **A name is considered undesirable:**
  - **(i)** If it is identical with the name of an existing company
  - **(ii)** If it is misleading
  - **(iii)** If it is in violation to the provisions of 'The Emblems and Names (Prevention of Improper Use) Act, 1950'.
- **Memorandum of Association:** The document that defines the objectives of the company. No company can legally undertake activities that are not contained in its Memorandum of Association.
- **Contents of Memorandum of Association**
  - **(i)** Name Clause
  - **(ii)** Registered Office Clause
  - **(iii)** Objects Clause
  - **(iv)** Liability Clause
  - **(v)** Capital Clause

- The signatories to the Memorandum of Association state their intention to be associated with the company and give their undertaking to subscribe to the shares mentioned against their names.
- The Memorandum of Association must be signed by at least seven persons in case of a public company and by two persons in case of a private company.
- **Articles of Association:** The document that contains the rules regarding internal management of a company. These should not contradict anything stated in the Memorandum of Association.
- **Position of Promoters**
  - **(i)** Neither a trust nor an agent of the company
  - **(ii)** Personally liable for all the contracts which are entered by them, for the company before its incorporation, in case the same are not ratified by the company later on.
  - **(iii)** Can make a profit only if it is disclosed but must not make any secret profit.
  - **(iv)** Not legally entitled to claim expenses incurred in promotion of the company.
- Promoters make an application for incorporation of a company.
- **Preliminary Contracts:** The contracts entered by promoters during promotion of the company with third parties on behalf of the company. These are not legally binding on the company.
- When the Registrar is satisfied about the completion of formalities for registration, a Certificate of Incorporation is issued to the company, which signifies the birth of the company.
- With effect from November 1, 2000, the Registrar of Companies allots a CIN (Corporate Identity Number) to the company.
- Once a Certificate of Incorporation has been issued, the company has become a legal business entity irrespective of any flaw in its registration.
- On the issue of Certificate of Incorporation, a private company can immediately commence its business.
- Every individual intending to be appointed as Director of a company shall make an application for allotment of Director Identification Number (DIN) to the Central Government in prescribed form along with the required fees.
- **Steps required for raising funds from the public:**
  - **(i)** SEBI approval
  - **(ii)** Filing of Prospectus or Statement in lieu of Prospectus
  - **(iii)** Appointment of bankers, brokers and underwriters
  - **(iv)** Minimum Subscription
  - **(v)** Application to Stock Exchange
  - **(vi)** Allotment of Shares
- **Prospectus:** Any document described or issued as a prospectus including any notice, circular, advertisement or other document inviting deposits from the public or inviting offers from the public for the subscription or purchase of any securities of a body corporate.
- The company must receive applications for a certain minimum number of shares before going ahead with the allotment of shares.
- **One Person Company:** With the implementation of The Companies Act, 2013 a single person could constitute a company, under the One Person Company concept to encourage corporatisation of micro businesses and entrepreneurship.
- **Characteristics of One Person Company**
  - **(i)** Only a natural person who is a citizen of India and resident in India
  - **(ii)** No person shall be eligible to incorporate more than single One Person Company
  - **(iii)** No minor shall become member or nominee of a One Person Company
  - **(iv)** Such company cannot carry out Non-Banking Financial Investment Activities
  - **(v)** No such company can convert voluntarily into any other kind of company unless two years have expired from the date of incorporation of One Person Company.
- **Basic factors in starting a business**
  - **(i)** Cost and ease in setting up of the organisation
  - **(ii)** Liability
  - **(iii)** Continuity
  - **(iv)** Management ability
  - **(v)** Capital consideration
  - **(vi)** Degree of control
  - **(vii)** Nature of business

Key Terms

- **Sole Proprietorship**: A form of business organisation which is owned, managed and controlled by an individual who is the recipient of all profits and bearer of all risks.
- **Unlimited Liability**: The owner is personally responsible for payment of debts in case the assets of the business are not sufficient to meet all the debts.
- **Partnership**: Partnership is the relation which subsists between persons who have agreed to combine their property, labour or skill in some business and to share the profits therefrom between them.
- **General Partnership**: Partnership formed by two or more persons to carry a purposeful business, where each partner has unlimited and joint liability.
- **Limited Partnership**: Is one in which liability of at least one partner is unlimited, whereas, rest of the partners have limited liability and registration of such partnership is compulsory.
- **Partnership deed**: The written agreement which specifies the terms and conditions that govern the partnership.
- **Mutual Agency**: Every partner is both an agent and a principal for other partners and thereby binds the other partners through his act and he too can be bound by the acts of other partners.
- **Secret Partner**: A partner whose association with the firm is unknown to the general public but in all other aspects he is like the rest of the partners.
- **Nominal Partner**: A partner who allows the use of his/her name by a firm, but doesn't contribute to its capital, and participate in management.
- **Partner by estoppel**: A partner who by his initiative, conduct or behaviour gives an impression to others that he is a partner of the firm though is not a partner in the firm but knowingly allows himself to be represented as a partner and does not deny such impression.
- **Partner by holding out**: A partner by holding out is a person who though is not a partner and does not deny such impression.
- **Joint Hindu Family Business**: A form of organisation wherein the business is owned and carried on by the members of the Hindu Undivided Family (HUF) governed by the Hindu Law.
- **Karta**: Is the eldest member of Hindu Undivided Family who controls the business and has unlimited liability.
- **Co-parcener**: Are all the members of Hindu Undivided Family other than Karta, having ownership right over ancestral property and enjoys limited liability.
- **Co-operative Society**: A form of business in which the main motive is not earning profit but the main motive is mutual help.
- **Joint Stock Company**: A Company is an association of persons formed for carrying out business activities and has a legal status independent of its members.
- **One Person Company**: A company which has only one member
- **Transfer of Interest**: Transferability of ownership of shares.
- **Winding up**: Legal procedure to bring a company to an end.
- **Share**: The smallest unit of share capital issued by a company.
- **Prospectus**: An invitation to the public to subscribe the financial securities issued by a company to raise capital.
- **Stock**: Fully paid up shares of a company.
- **Promotion:** It is the sum total of activities by which a business enterprise is bought into existence.
- **Incorporation:** The process of getting the company registered with the registrar of companies.
- **Flotation:** After receiving certificate of incorporation, the company can go ahead with raising capital to commence business which is known as flotation.
- **Prospectus:** Is any document, notice, circular, advertisement inviting deposit from public for the subscription of any share or debentures of a body corporate.
- **Underwriters:** Are those institutions, brokers who take up the shares if they are not subscribed by the public.
- **Stock Exchange:** Is the institutional arrangement which provides a platform for trading of financial securities.
- **Memorandum of Association:** Is the fundamental document like a charter or constitution of a company which defines the relationship of the company with the outsiders.
- **Articles of Association:** Is a document subordinate to MOA defining the duties, powers, laws, bye-laws, governing the company.

CHAPTER-3

PUBLIC, PRIVATE AND GLOBAL ENTERPRISES

Topic-1 Private and Public Sector Enterprises

Revision Notes

- Indian economy consists of both privately owned and government owned business enterprises in a mixed economy.
- The private sector consists of business owned by individuals or a group of individuals.
- The public sector consists of various organisations owned and managed by the government.
- The organisations may also be a part of the ministry or come into existence by a Special Act of the Parliament.
- **Departmental Undertakings :**
  - **(i)** Oldest and most traditional form of organising public sector enterprises.
  - **(ii)** Established as departments of the ministries.
  - **(iii)** Not independent legal entities.
  - **(iv)** May be under the central or the state government.
  - **(v)** Examples – Railways, Post and Telegraph
  - **(vi)** **Features**
    - **(a)** Funding of these enterprises comes directly from the Government Treasury.
    - **(b)** Subject to accounting and audit controls.
    - **(c)** Employees of the enterprise are government servants.
    - **(d)** Generally considered to be a major sub-division of the Department of Government.
    - **(e)** Accountable to the ministry.
  - **(vii)** **Merits**
    - **(a)** Facilitate the Parliament to exercise effective control.
    - **(b)** Ensure a high degree of public accountability.
    - **(c)** Revenue earned by the enterprise goes directly to the treasury.
    - **(d)** Where national security is concerned, this form is most suitable.
  - **(viii)** **Limitations**
    - **(a)** Fails to provide flexibility.
    - **(b)** The employees or heads of the departments of such undertakings are not allowed to take independent decisions, without the approval of the ministry concerned.
    - **(c)** Unable to take advantage of business opportunities.
    - **(d)** Red-tapism in day-to-day operations.
    - **(e)** Lot of political interference through the ministry.
    - **(f)** Insensitive to consumer needs.
- **Statutory Corporations**
  - **(i)** Public enterprises brought into existence by a Special Act of Parliament.
  - **(ii)** **Features**
    - **(a)** Setup under an Act of Parliament and governed by provisions of the Act.
    - **(b)** Wholly owned by the state.
    - **(c)** Can sue and be sued, enter into contract and acquire property in its own name.
    - **(d)** Independently financed.
    - **(e)** Not subject to the same accounting and audit procedures applicable to government departments.
    - **(f)** Employees are not government or civil servants.
  - **(iii)** **Merits**
    - **(a)** High degree of operational flexibility
    - **(b)** The government does not interfere in their financial matters
    - **(c)** Frame their own policies and procedures within the powers assigned to them by the Act.
    - **(d)** Valuable instrument for economic development

(iv) Limitations
- **(a)** All actions are subject to many rules and regulations
- **(b)** Government and political interference
- **(c)** Rampant corruption
- **(d)** Delay in actions

- **Government company**

(i) The company of which minimum 51% paid up share capital is owned by central government, state government or both is called a government company.

(ii) Features
- **(a)** Organisation created under the Companies Act 2013
- **(b)** Can file a suit in a court of law
- **(c)** Can enter into a contract
- **(d)** Can acquire property in its own name
- **(e)** Management is regulated by the provisions of the Companies Act
- **(f)** Employees of the company are appointed according to their own rules and regulations
- **(g)** Exempted from the accounting and audit rules and procedures
- **(h)** Obtains its funds from government share holdings

(iii) Merits
- **(a)** A separate Act in the Parliament is not required
- **(b)** Separate legal entity
- **(c)** Enjoys autonomy
- **(d)** Curb unhealthy business practices

(iv) Limitations
- **(a)** The provisions of the Companies Act do not have much relevance
- **(b)** Evades constitutional responsibility
- **(c)** Not answerable directly to the Parliament
- **(d)** The management and the administration rests in the hands of the government

Topic-2 Global Enterprises

Revision Notes

- **Global Enterprises**

These have an impact on the international economy.

(i) Features
- **(a)** Huge capital resources
- **(b)** Foreign collaboration
- **(c)** Advanced technology
- **(d)** Product innovation
- **(e)** Marketing strategies
- **(f)** Expansion of market territory
- **(g)** Centralised control

- **Public-Private Partnerships:** It involves collaboration between a government agency and a private-sector company that can be used to finance, build, and operate projects, such as public transportation networks, parks, and convention centers. Financing a project through a public-private partnership can allow a project to be completed sooner or make it a possibility in the first place.

Key Terms

- **Mixed Economic system:** The economic system in which there is blending of both private and public sector.
- **Private Sector Enterprises:** All those enterprises which are owned and managed by individuals or group of individuals with profit earning as main objective.
- **Public Sector Enterprises:** It implies all those enterprises which are managed, owned partly or wholly by Central or State Government with the main objective of public welfare.

- **Red Tapism and Bureaucracy:** The practice of requiring excessive paper work and tedious procedures before official action can be considered or completed due to tall formal organisation structure.
- **Departmental Undertakings:** The public enterprises created, managed and controlled by concerned ministries.
- **Statutory Corporations:** The corporate body formed by a special Act of Parliament or Legislative Assembly, which defines its powers, duties, privileges and pattern of management.
- **Financial Autonomy:** Freedom to take financial decisions without any dependence on Government, Budget and complete right to use the surplus in desired manner.
- **Managerial/Operational Autonomy:** Freedom to take managerial decisions to run the business without any constitutional or legal restriction and political interference.
- **Public Accountability:** Answerability for financial resources allocation and final outcome to the Parliament and to audit and accounting control Authority of Government.
- **Government Company:** A company in which not less than 51% of the paid-up share capital is held by Central or State Governments.
- **Disinvestment:** The act of selling equity shares of public sector enterprise to private sector and public.
- **Liberalisation:** Deregulating and de-licensing of private sector undertakings.
- **Public-Private Partnership:** Partnership between public sector and private sector in financing, designing and developing infrastructural facilities.
- **Global Enterprises:** Multinational companies which extend their industrial and marketing operations through a network of branches in several countries.

CHAPTER-4

BUSINESS SERVICES

Topic-1 Concept and Types of Business Services and Banking Services

Revision Notes

- Business services is a general term that describes work that supports a business but does not produce a tangible commodity. Information technology (IT) is an important business service that supports many other business services such as procurement, shipping and finance.
- **Type of Business Services**
- **(1) Management services**

  Management services cater to various aspects of managing the independent services. Management services or of different types for example finance industries requires asset Management Service, Debt Management services or stock Management services. Some sectors would require facility Management services horrible people Management services.
- **(2) Software services**

  Information Technology has made its presence in every field. A major part of it is Software services. The software is an integral part of every electronic device. The software ranges from operating systems to anti-virus to data backups to special programs to access special files.

  Part of software servicing is giving upgrades and enhancing the features as well as security. It is essential that while all the important transactions happen over software's chances of software hacking increase. This is your software services come into the picture.
- **(3) Consulting services**

  Consulting Services which are used by many organizations irrespective of industry. Consulting services can be for financial projects, business expansion projects or for a particular sector of business. Consultations are an integral part of corporate giants like Accenture who provide services to almost every industry.

- **(4) Training Services :**

  Lot of companies require training services. While the companies are competent enough to train their employees in their own technicalities, external training agency services are required to train employees in soft skills or in case of technical know-how about a sector unrelated to the organization.

- **(5) Financial services**

  Finance is a very important aspect of any organization. Every organization requests financial services for various purposes like taxation, valuation, depreciation or expansion. Managing finances is usually done by the finance department in the organizations but services here mentioned above require special financial help from financial advisors.

  Financial advisors are also present in investment decisions wherein they decide what is the amount of investment to be done in which sector and whether there is a good and timely return on investments. Financial services also required for stock market decisions.

- **(6) Marketing Services**

  Organizations require Marketing Services often, especially niche marketing services like creative advertising and creative marketing. There are designated Advertising and Marketing agencies to do just that.

  These agencies focus only on providing services to the clients by coming up with innovative ideas. Companies do have an in-house Marketing department but they prefer to invest in outsourcing the marketing to get quality work done. An organization may also have a marketing department which is in the house and caters to third-party clients as well.

- A banking company in India is the one which transacts the business of banking which means accepting, for the purpose of lending and investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheques, draft, order or otherwise.

- Banks can be classified into Commercial banks, Co-operative banks, Specialised banks and Central bank.

  (i) Commercial banks

  (e) Institutions dealing in money

  (f) Governed by Indian Banking Regulation Act 1949

  Types

  (a) **Public sector banks:** Those banks in which the government has a major stake and they usually need to emphasise on social objectives than on profitability.

  (b) **Private sector banks:** Those banks which are owned, managed and controlled by private promoters and they are free to operate as per market forces.

  (ii) Functions

  (a) Acceptance of deposits

  (b) Lending of funds

  (c) Cheques facility

  (d) Remittance of funds

  (e) Allied services like bill payments, locker facilities, underwriting services, payment of insurance premium, etc.

- Co-operative Banks are governed by the provisions of State Co-operative Societies Act and meant essentially for providing cheap credit to their members.

- Specialised banks are foreign exchange banks, industrial banks, development banks, export-import banks catering to specific needs of these unique activities.

- The Central bank of any country supervises, controls and regulates the activities of all the commercial banks of that country and also acts as a government banker. The Reserve Bank of India is the central bank of our country.

  (iii) Types of Bank accounts

  (a) **Savings :** A person can deposit money and withdrawn money from his account whenever required.

  (b) **Current :** This account is generally opened by the businessman.

  (c) **Recurring :** In each account money is deposited in regular instalment for a specified time period.

  (d) **Fixed Deposit : I**s repayable after expiry of the specified period of time

  (e) **Multiple Deposit :** It offers benefits of current account option and savings account to the depositor.

  (iv) Types of Banking services

  (a) Bank draft

  (b) Bank overdraft

  (c) Cash Credit

  (d) E-Banking

- **e-banking:** Internet banking means any user with a PC and a browser can get connected to the banks website to perform any of the virtual banking functions and avail of any of the bank's services.

- **Benefits**

  (i) To customers

(a) Provides 24 hours, 365 days a year services.
(b) Customers can make some of the permitted transactions from office or house.
(c) Inculcates a sense of financial discipline.
(d) Greater customer satisfaction by offering unlimited access to the bank.

(ii) To banks
(a) Provides competitive advantage.
(b) Provides unlimited network.
(c) Load on branches can be considerably reduced.

- **Digital payment / e-payment:** A way of payment which is made through digital modes. Both payer and payee use digital means to send and receive money. All the transactions are executed online.
- **Types of Digital Payments:**
  (i) Unified Payment Interface (UPI): A payment mode used to make fund transfers through the mobile app using UPI Apps like BHIM, iMobile, PhonePe, Paytm, etc.
  (ii) Aadhaar Enabled Payment System (AEPS): Customer needs only his or her Aadhaar number to pay to any merchant. AEPS allows bank to bank transactions. It can be used to withdraw or deposit cash and send money to another Aadhar linked account with it. It uses the fingerprint as a password.
  (iii) Unstructured Supplementary Service Data (USSD) banking or *99# Banking: A mobile banking based digital payment method. It does not need smartphone or internet connection to use USSD banking. This service can be used for many financial and non-financial operations such as checking balance, sending money, etc. It has a transaction limit of ₹ 5000 per day per customer. RBI has also set a maximum charge of ₹ 2.5 per operation.
  (iv) Cards: Cards are provided by banks to their account holders. Some commonly issued cards are:
  (a) **Credit cards:** The cards issued by banks to give you the ability to withdraw or use extra money.
  (b) **Debit cards:** The cards issued by banks where you have your account. You can use these cards for the money in your account.
  (c) **Prepaid cards:** The cards which are rechargeable and are used to pay digitally.
  (v) e-wallets / Mobile Wallets: These are the digital version of physical wallet with more functionality. These are used to keep money and use it when needed. One needs to have a smartphone and a stable internet connection to use e-wallets. However, these can be used to send money from e-wallet to another e-wallet and not to bank account.
- **Advantages of Digital Payments**
  (i) Easy and convenient
  (ii) Pay or send money from anywhere
  (iii) Discounts from taxes
  (iv) Written record
  (v) Less Risk
- **Drawbacks of Digital Payments:**
  (i) Difficult for a non-technical person
  (ii) The risk of data theft
  (iii) Overspending

Topic-2 Insurance

Revision Notes

- Insurance is a device by which the loss likely to be caused by an uncertain event is spread over a number of persons who are exposed to it and who prepare to insure themselves against such an event.
- It is a contract or agreement under which one party agrees in return for a consideration to pay an agreed amount of money to another party to make a loss, damage or injury to something of value in which the insured has a pecuniary interest as a result of some uncertain event.
- The agreement/contract is known as policy.
- The person whose risk is insured is called insured.
- The firm which insures the risk of loss is known as insurer.
- The basic principle of insurance is that an individual or a business concern chooses to spend a definitely known sum in place of a possible huge amount involved in an indefinite future loss.
- Insurance is a form of risk management primarily used to safeguard against the risk of potential financial loss.

- Insurance company is an association, corporation or an organisation engaged in the business of paying all legitimate claims that may arise, in exchange for a fee known as premium.
- **Functions:**
  - **(i)** Providing certainty of payment
  - **(ii)** Protection from probable chances of loss
  - **(iii)** Risk sharing
  - **(iv)** Assist in capital formation
- **Principles of insurance**
  - **(i)** Utmost good faith or uberrimae fidei
  - **(ii)** Insurable interest
  - **(iii)** **Indemnity:** The insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event insured against (except in case of life insurance).
  - **(iv)** **Contribution:** The right of an insurer who has paid claim under insurance, to call upon other liable insurers to contribute for the loss of payment.
  - **(v)** **Subrogation:** The right of the insurer to stand in the place of the insured, after settlement of a claim.
  - **(vi)** **Causa Proxima:** Provide compensation only for such losses as are caused by the perils which are stated in the policy.
  - **(vii)** **Mitigation:** It is the duty of the insured to take reasonable steps to minimise the loss or damage to the insured property.
- **Types of insurance:**
  - **(i)** **Life Insurance:** Life insurance plans offer coverage against unfortunate events like death or disability of the policyholder. Besides financial protection, there are various types of life insurance policies that allow the policyholders to maximize their savings through regular contributions into different equity and debt fund options.
    - **(a)** Whole Life policy
    - **(b)** Endowment Life Assurance policy
    - **(c)** Joint Life policy
    - **(d)** Annuity policy
    - **(e)** Children's Endowment policy
  - **(ii)** **Health insurance:** Health insurances are types of insurance policy that covers the expenses incurred due to medical care. Health insurance plans either pay or reimburse the amount paid towards the treatment of any illness or injury. Different types of insurance policy cover varied medical care expenses.
  - **(iii)** **Fire insurance:** Fire insurance policies are different types of insurance coverages that compensate any losses incurred due to a fire breakout with a sum assured. These types of insurance policy usually provide a significant amount of coverage to help both individuals and companies to reopen their places after incurring extensive damage due to fire. These insurance types cover war risk, turmoil, riots losses as well.
  - **(iv)** **Marine insurance:** Marine insurance covers the loss or damage of ships, cargo, terminals, and any transport by which the property is transferred, acquired, or held between the points of origin and the final destination.
- **Elements of life insurance policy**
  - **(i)** Must have all the essentials of a valid contract
  - **(ii)** Contract of utmost good faith
  - **(iii)** The insured must have insurable interest in the life assured
  - **(iv)** Not a contract of indemnity
- **Elements of fire insurance policy**
  - **(i)** The insured must have insurable interest in the subject matter of the insurance
  - **(ii)** A contract of utmost good faith *i.e.*, uberrimae fidei
  - **(iii)** Contract of strict indemnity
  - **(iv)** Liable to compensate only when fire is the proximate cause of damage or loss.
- **Types of marine insurance**
  - **(i)** Ship or hull insurance (for losses caused by damage to ship)
  - **(ii)** Cargo insurance (for losses caused to cargo)
  - **(iii)** Freight insurance (for reimbursement of loss of freight to the shipping company)
- **Elements of marine insurance**
  - **(i)** Contract of indemnity
  - **(ii)** Contract of utmost good faith
  - **(iii)** Insurable interest must exist at the time of loss
  - **(iv)** The insurance company will be liable to pay only if the particular or the nearest cause is covered by the policy.

Topic-3 Postal Services

Revision Notes

- Facilities provided by postal department
  - **(i)** Financial facilities through the post office's savings schemes.
  - **(ii)** Mail facilities through transmission of articles from one place to another
- **Mail Service:** The system whereby messages are transmitted via the post office; "the mail handles billions of items every day"; "he works for the United States mail service"; "in England they call mail `the post'.
- **Parcel:** Package delivery or parcel delivery is the delivery of shipping containers, parcels, or high value mail as single shipments. The service is provided by most postal systems, express mail, private courier companies, and less than truckload shipping carriers.
- **Speed Post:** The 'Speed Post' service was started by the Indian Department of Posts way back in 1986, to provide time bound delivery of posts. The service offers 'one rate' delivery pricing in all the places of India, with faster and secure delivery (normally 2-3 days, within India). It also provides an excellent delivery network across the different parts of the world (including the remote areas). As the delivery is made at the address of the receiver, full name and signature of the person taking delivery and the number of articles delivered is recorded the delivery slip.
- The main feature that distinguishes this service from all others is its faster delivery system. Speed Post also provides a facility to track the status of posts through an online portal.
- **Registered Post:** It is an Indian Postal Department service, similar to an ordinary post, providing additional facilities like safe delivery, the signature of the recipient at the time of delivery, extra cover (insurance) and proof of delivery.
- As the service is similar to an ordinary post, the parcel normally takes 2-5 days to reach its destination. Identification is given to the article and recorded simultaneously at each handling stage. In this way, the proper record of the posts and parcel is maintained till the delivery point, with tracking details available to the recipient at each point. In general, the service is used to deliver credit cards, or property documents etc.
- **Courier :** Courier services focuses on express and door-to-door delivery. Couriers may use self-owned, privately shared or public transportation to supply these services. Included are express delivery services, which might include, for example, on-demand pick-up or time-definite delivery.

Key Terms

- **Services:** Identifiable and intangible economic activities that provide satisfaction of human wants.
- **Business services:** Services which are used by business enterprise to carry on business activities smoothly *e.g.*-banking, insurance, etc.
- **Goods:** A physical product capable of being delivered to purchasers and involves the transfer of ownership from seller to customer.
- **Social services:** Services which are generally provided voluntarily in pursuit of certain goals.
- **Personal Services:** Services which are experienced differently by different customers according to their preferences.
- **Banking:** According to Indian Banking Regulation Act 1949, banking means accepting deposits of money from public for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise and withdrawal by cheque, draft other, etc.
- **Commercial Bank:** Financial institutions which are established to assist trade, commerce and industry through their banking operations.
- **Cheque:** An unconditional written instruction made by the account holder to the bank to pay the specified amount to the drawer of the cheque or to any other person as per instructions.
- **Bearer Cheque:** A cheque which is cashable immediately at the bank Counter.
- **Multiple Option Deposit Account:** The account which offers the benefits of current account and saving account to the depositor.

- **Bank Draft:** A payment instrument which is drawn by a bank's branch instructing another branch to pay the specified amount to the person or organisation named in the bank draft.
- **Bank overdraft:** A temporary arrangement under which a depositor is allowed to draw by cheque more than the amount to his credit up to a specified limit.
- **Cash Credit:** A revolving credit arrangement wherein the bank allows the borrower to borrow money up to the specified limit for a short period of time (up to 1 year).
- **e-banking:** Involves conducting banking transactions by customers electronically.
- **Debit card:** A card issued to a customer in lieu of his money deposited in bank.
- **Credit card:** A card issued by bank to reputed customers to make payment up to the limit allowed by the bank even without having money deposited in his bank.
- **Internet Banking:** Allows customers of a bank to conduct banking transactions on a secure website operated by the bank.
- **Mobile banking:** A system that allows customers of a bank to conduct banking transaction, particularly making payments, through a mobile device such as a mobile phone.
- **Insurance:** A contract under which one party (insurer) agrees in return of consideration (premium) to pay an agreed sum of money to another party (insured) to compensate the loss of goods/life.
- **Insured:** The person who gets his life/property insured.
- **Insurer:** The agency or firm who insures the risk of loss.
- **Policy:** The document carrying written agreement or contract between insurer and the insured along with terms and conditions of insurance.
- **Premium:** A small periodic payment to be paid by the insured to the insurer for covering up the risk of possible loss.
- **Life Insurance:** A contract in which the insurer in consideration of certain premium agrees to pay to assured, or his family members, the assured sum of money, on happening of a specified event or expiry or certain period.
- **Fire Insurance:** A contract, whereby insurer agrees to make good the loss of insured, caused to goods or property due to fire during the specified period of time and up to a specified amount, in return of a premium.
- **Marine Insurance:** A contract between the insurance company and the insured to provide protection to the insured against loss by marine perils or the perils of the sea.
- **Health Insurance:** A form of insurance that pays for medical expenses or unexpected health care expenses.
- **Whole Life policy**: The amount payable to the insured will not be paid before the death of the assured.
- **Endowment Life Assurance Policy:** A specified sum is paid when the insured attains a particular age or on his death whichever is earlier.
- **Joint Life Policy:** The assured sum or policy money is payable upon the death of any one person to the other survivor or survivors.
- **Annuity Policy:** The policy money is payable after the assured attains a certain age in monthly, quarterly, and half yearly or annual instalments.
- **Children's Endowment Policy:** A certain sum is paid by the insurer when the children attain a particular age. The premium is paid by the person entering into the contract. However, no premium will be paid, if that person dies before the maturity of the policy.
- **Postal services:** Various services provided by the postal department throughout the country.
- **Registered Post:** A postal facility under which it is ensured that the mail is either delivered to the addresses or it comes back to the sender.
- **Parcel Post:** Under this postal facility, the articles are parcelled across the country as well as outside the country on payment of required fees to the post offices.
- **Speed Post:** This service provides fast, time bound and guaranteed delivery of mail by the post offices on payment of extra charge than normal postal charges.
- **Courier Services:** Postal services offered by private sector enterprises.

CHAPTER-5

EMERGING MODES OF BUSINESS

Revision Notes

- The newer modes of business are not new business. These are the new ways of doing business.
- **e-business:** Conduct of industry, trade and commerce using the computer networks.
- e-business includes e-commerce and other electronically conducted business functions such as production, inventory management, product development, accounting and finance and human resource management.
- **e-commerce:** Buying and selling over the internet.
- **Scope of e-business:** All types of business functions such as production, finance, marketing and personnel administration as well as managerial activities like planning, organising and controlling.
- **e-procurement:** sales transactions between business firms.
- **e-bidding / e-auction:** to bid for the goods and services.
- **e-tendering:** to submit tender quotations online.
- **e-communication / e-promotion:** publication of online catalogues, displaying images of goods, advertisement through banners, pop-ups, opinion polls and consumer surveys, meetings and conferences may be held by the means of video conferencing.
- **e-delivery:** electronic delivery of computer software, photographs, videos, books (e-books) and journals (e-journals)
- **e-trading:** online buying and selling of shares and other financial instruments.
- Can be visualized as B2B, B2C and intra-B.
- **Constituents of e-business:**
  - **(i) Business-to-Business (B2B) Commerce:** Examples automobile manufacturer dealing with wheel manufacturer, accessories manufacturers, etc.
  - **(ii) Business-to-Consumer (B2C) Commerce:** Examples manufacturer dealing with consumers
  - **(iii) Intra-B commerce:** Within a given business firm – Example dealings among various departments and persons within a firm.
  - **(iv) Consumer-to-Consumer (C2C) Commerce:** Example selling used books or clothes.
- **Benefits of e-business**
  - **(i)** Ease of formation and lower investment requirements
  - **(ii)** Convenience of 24 hours × 7 days a week × 365 days a year business
  - **(iii)** Speed
  - **(iv)** Global reach / access
  - **(v)** Movement towards a paperless society
- **Limitations of e-business**
  - **(i)** Low personal touch
  - **(ii)** Incongruence between order taking / giving and order fulfilment speed
  - **(iii)** Need of technology capability and competence of parties to e-business based on three R's – Reading, Writing and Arithmetic
  - **(iv)** Increased risk due to an anonymity and no traceability of parties
  - **(v)** People's resistance to adjust with new technology and new way of doing things
  - **(vi)** Ethical fallouts
- Despite limitations, e-commerce is the way forward.

Key Terms

- **e-business:** Conduct of industry, trade and commerce using computer network.
- **e-commerce:** Means buying and selling the products and services over the internet.
- **B 2 B Commerce:** The interaction between a business firm with other business firm through the network of computers.
- **B 2 C Commerce:** It is a system where a business firm interacts with its customers using internet as a medium.
- **C 2 C Commerce:** It refers to commerce which takes place between two or more customers through internet for the sale and purchase of good for which there is no established mechanism.

- **Intra B Commerce:** It refers to the transaction which takes place among different persons or departments within a firm through the network of computers.
- **Browsing:** Means retrieving information on the internet.
- **URL (Uniform Resource locator):** refers to a world wide web address that specifies a specific site, page, graphic or document on the internet.

CHAPTER-6

SOCIAL RESPONSIBILITY OF BUSINESS AND BUSINESS ETHICS

Topic-1 Social Responsibility of Business

Revision Notes

- **Social Responsibility of Business :** It refers to its obligations to take those decisions and perform those actions which are desirable in terms of the objectives and values of our society.
- It involves an element of voluntary action on the part of business people for the benefit of society.
- **Corporate Social Responsibility :** Achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment.
- **Arguments for Social Responsibility**
  - **(i)** Justification for existence and growth
  - **(ii)** Long-term interest of the firm
  - **(iii)** Avoidance of government regulation
  - **(iv)** Maintenance of society
  - **(v)** Availability of resources with business
  - **(vi)** Converting problems into opportunities
  - **(vii)** Better environment for doing business
  - **(viii)** Holding business responsible for social problems
- **Arguments against Social Responsibility**
  - **(i)** Violation of profit maximisation objective
  - **(ii)** Burden on consumers
  - **(iii)** Lack of social skills
  - **(iv)** Lack of broad public support
- One of the most important recent changes in the attitude of business people has been the realisation that they have social obligations to fulfil besides ensuring their own existence through profitable activity.
- **Reasons and factors which have forced and persuaded businessmen to consider their responsibilities:**
  - **(i)** Threat of public regulation
  - **(ii)** Presence of labour movement
  - **(iii)** Impact of consumer consciousness
  - **(iv)** Development of social standard for business
  - **(v)** Development of business education
  - **(vi)** Relationship between social interest and business interest
  - **(vii)** Development of professional and managerial class
- **Kinds of Social Responsibility**
  - **(i)** Economic responsibility
  - **(ii)** Legal responsibility
  - **(iii)** Ethical responsibility
  - **(iv)** Discretionary responsibility
- **Social responsibility towards different interest groups**
  - **(i) Shareholders or owners**

(a) Fair return on capital investment
(b) Ensure safety of investment
(c) Provide regular, accurate and full information

(ii) Workers
(a) Opportunities for meaningful work
(b) Create the right kind of working conditions
(c) Respect the democratic rights of workers to form unions
(d) A fair wage and a fair deal

(iii) Consumers
(a) Supply of right quantity and quality of goods and services
(b) Reasonable prices
(c) Proper precaution against adulteration, poor quality, lack of desired service
(d) Right of information about the product and the company

(iv) Government and community
(a) Respect the laws of the country
(b) Pay taxes honestly
(c) Protect the natural environment
(d) Continuous interaction with various groups of people.

Topic-2 Environment Protection – Role of Business

Revision Notes

- **Pollution :** The injection of harmful substances into the environment.
- All sectors of our society like industry, government, agriculture, mining, energy, transportation, construction and consumers generate waste.
- **Types of pollution**
  (i) Air pollution
  (ii) Water pollution
  (iii) Land pollution
  (iv) Noise pollution
- **United Nations has identified eight problems that cause damage to the natural environment.**
  (i) Ozone depletion
  (ii) Global warming
  (iii) Solid and hazardous wastes
  (iv) Water pollution
  (v) Fresh water quality and quantity
  (vi) Deforestation
  (vii) Land degradation
  (viii) Danger to biological diversity
- **Need for pollution control**
  (i) Reduction of health hazards
  (ii) Reduced risk of liability
  (iii) Cost savings
  (iv) Improved public image
  (v) Other social benefits

- **Steps which can be taken by the business enterprises for environmental protection:**
  - **(i)** Commitment by top management of the enterprise.
  - **(ii)** Ensuring that commitment to environmental protection is shared through the enterprise by all divisions and employees.
  - **(iii)** Purchasing good quality raw materials, employing superior technology, using scientific techniques of disposal and treatment of wastes.
  - **(iv)** Complying with the laws and regulations enacted by the government for prevention of pollution.
  - **(v)** Participation in programmes relating to management of hazardous substances, clearing up of polluted rivers, etc.
  - **(vi)** Periodical assessment of pollution control programmes.
  - **(vii)** Arranging educational workshops and training materials.

Topic-3 Business Ethics

Revision Notes

- **Ethics** – The word 'ethics' has its origin in the Greek word 'ethics' meaning character; norms, ideals or morals prevailing in a group or society.
- Business ethics concern itself with the relationship between business objectives, practices and techniques and the betterment of society.
- **Elements of Business Ethics**
  - **(i)** Top management commitment
  - **(ii)** Publication of a Code
  - **(iii)** Establishment of compliance mechanisms
  - **(iv)** Involving employees at all levels
  - **(v)** Measuring results

Key Terms

- **Social Responsibility:** Social responsibility of business is to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the business and values of our society.
- **Legal Responsibility:** Is the legal obligations, compulsory to be followed as per the provisions of law.
- **Opportunities:** The favourable and positive trends which increase business profits and performance.
- **Ethical Responsibility:** This includes the behaviour of the firm that is expected by society but not codified in law.
- **Business Environment:** It is totality of all external forces with which the business interacts constantly but over which it does not have any control. The environment influences the business directly to a great extent.
- **Pollution:** The injection of harmful substances into the environment refers to pollution.
- **Pollutants:** The harmful substances which pollute the environment.
- **Environment Pollution:** Refers to making our environment polluted.
- **Air Pollution:** Is the pollution caused by a combination of factors which lowers the air quality.
- **Water Pollution:** Is the pollution caused by dumping of chemical, industrial waste into water bodies.
- **Land Pollution:** Is the pollution caused by the dumping of toxic wastes on land which damages the quality of land making it unfit for agriculture or plantation.
- **Noise Pollution:** Is the pollution caused by the noise made by machines, by running of factories, vehicles, etc. resulting into serious health hazards.
- **Ethics:** Is a set of moral values, rules of conduct and professional morality.
- **Business Ethics:** It refers to personal conduct and moral of business towards different sections of society.

PART - B : FINANCE AND TRADE

CHAPTER-7

SOURCES OF BUSINESS FINANCE

Topic-1 Concept, Nature and Importance of Business Finance

Revision Notes

- Every business enterprise, whether big or small, needs finance to carry on its operations. The importance of finance has increased tremendously these days because of mass production and use of capital intensive techniques. As a result, finance is considered as the life-blood of any business.
- **Nature of business finance:**

  Business Finance refers to the money required for carrying out business activities.
- **The Importance of Business Finance**

  (1) Financial Statements

  When dealing with business finance, it's important to go through your financial statements and connect the dots. This is between your profit and loss as well as your balance sheet and cash flow statements. You can then conclude from your documents if there is a shortage of capital. Business finance can provide the tools to plan strategies for correcting the shortage.

  (2) Strategic Planning

  Every business should have a solid strategy in place. This is used for planning and providing the financial groundwork for your projections and plans.

  If you are looking to expand your business, you will use business finance to tell you how much you'll have to spend to get things moving.

  These strategic plans help you to determine whether or not your company is meeting it's long and short-term goals.

  (3) Finance

  It's not uncommon to run into cash flow difficulties. When this happens, business finance is a vital tool for managing and understanding your financing options.

  By incorporating this information into your financial statements, you can make more educated decisions about how much capital to borrow. You can also decide which options make the most sense and your repayment schedule.

  (4) Promotion

  It's all well and good having a great product and business model, but to be a successful business you need people to be aware of you.

  The best way to do this is through promotion and marketing. There is a large demand for market research so most of the time this does not come cheap. So, it's important to set aside a section of your finance to be put towards making sure your product is accessible to your target market.
- **Need for business finance:**

  All business activities require some finance. Finance is needed:

  (i) To start and establish a business.

  (ii) To run day to day activities of business like payment for raw materials, salaries etc.

  (iii) To modernise, expand and diversify the business.

  Hence the availability of adequate finance is very crucial for the survival and growth of a business.
- **The financial needs of a business can be classified into two categories:**

  (i) Fixed capital requirement

  (ii) Working capital requirement

Topic-2 Owners' Fund: Meaning, Merits and Limitations

Revision Notes

- **Share:** The capital obtained by issue of shares is known as share capital.
  The capital of a company is divided into small units called shares. Each share has its nominal value.
  The person holding the share is known as shareholder.
  There are two types of shares normally issued by a company. These are equity shares and preference shares.
- **Equity Shares**
  Equity shares represent the ownership of a company and thus the capital raised by issue of such shares is known as ownership capital or owner's funds. Equity share capital is a prerequisite to the creation of a company. Equity shareholders do not get a fixed dividend but are paid on the basis of earnings by the company.
- **Preference Shares**
  The preference shareholders enjoy a preferential position over equity shareholders in two ways:
  (i) receiving a fixed rate of dividend, out of the net profits of the company, before any dividend is declared for equity shareholders; and
  (ii) receiving their capital after the claims of the company's creditors have been settled, at the time of liquidation.
- **Merits of Equity Shares**
  (1) Equity capital is the foundation of the capital of a company. It stands last in the list of claims and it provides a cushion for creditors.
  (2) Equity capital provides creditworthiness to the company and confidence to prospective loan providers.
  (3) Investors who are willing to take a bigger risk for higher returns prefer equity shares.
  (4) There is no burden on the company, as payment of dividend to the equity shareholders is not compulsory.
  (5) Equity issue raises funds without creating any charge on the assets of the company.
- **Limitations of Equity Shares**
  (1) Investors who prefer steady income may not prefer equity shares.
  (2) The cost of equity shares is higher than the cost of raising funds through other sources.
  (3) The issue of additional equity shares dilutes the voting power and earnings of existing equity shareholders.
- **Merits of Preference Shares**
  (1) It does not affect the control of equity shareholders over the management as preference shareholders don't have voting rights.
  (2) Payment of fixed rate of dividend to preference shares may make a company to announce higher rates of dividend for the equity shareholders in good times.
  (3) Preference shares have reasonably steady income in the form of fixed rate of return and safety of the investment.
  Also, they are suitable for those investors who want a fixed rate of return with low risk.
- **Limitations of Preference Shares**
  (1) The rate of dividend on preference shares is generally higher than the rate of interest on debentures.
  (2) The Dividend on these shares is to be paid only when the company earns a profit, there is no assured return for the investors.
  (3) Preference shares are not preferred by those investors who are willing to take a risk and are interested in higher returns;
  (4) Preference capital dilutes the claims of equity shareholders over assets of the company.
- **Retained earnings:**
  A company generally does not distribute all its earnings amongst the shareholders as dividends. A portion of the net earnings may be retained in the business for use in the future. This is known as retained earnings. It is a source of internal financing or self financing or 'ploughing back of profits'. The profit available for ploughing back in an organisation depends on many factors like net profits, dividend policy and age of the organisation.
  Merits of retained Earnings:
  (i) Retained earnings is a permanent source of funds available to an organisation;
  (ii) It does not involve any explicit cost in the form of interest, dividend or floatation cost;
  (iii) As the funds are generated internally, there is a greater degree of operational freedom and flexibility;

(iv) It enhances the capacity of the business to absorb unexpected losses;

(v) It may lead to increase in the market price of the equity shares of a company.

Limitations of retained earnings:

Retained earning as a source of funds has the following limitations:

(i) Excessive ploughing back may cause dissatisfaction amongst the shareholders as they would get lower dividends;

(ii) It is an uncertain source of funds as the profits of business are fluctuating;

(iii) The opportunity cost associated with these funds is not recognised by many firms. This may lead to sub-optimal use of the funds.

1. On the basis of the Period

- Long-term equity
  - Equity shares
  - Retained shares
  - Preference shares
  - Debentures
  - Loan from financial institutions
- Medium-term equity
  - Loans from banks
  - Public deposits
  - Loan from financial institutions
- Short-term equity
  - Trade credit
  - Factoring
  - Banks
  - Commercial paper

2. On the basis of Ownership

- Owners Funds
  - Equity shares
  - Retained earnings
- Borrowed Funds
  - Debenture
  - Loans from banks
  - Loan from financial institutions
  - Public deposits
  - Lease financing

3. On the basis of source of Generation

- Internal Sources
  - Equity share capital
  - Retained earnings
- External Sources
  - Financial institutions
  - Loans from banks
  - Preference shares
  - Public deposits
  - Debenture
  - Lease financing
  - Commercial papers
  - Trade credit
  - Factoring

Topic-3 Borrowed Funds

Revision Notes

- **Borrowed Funds:** Borrowed funds refer to the funds raised through loans or borrowings. The sources for raising borrowed funds include loans from commercial banks, loans from financial institutions, issue of debentures, public deposits and trade credit. Such sources provide funds for a specified period, on certain terms and conditions and have to be repaid after the expiry of that period.
- **Debentures:** Debentures are an important instrument for raising long term debt capital. A company can raise funds through issue of debentures, which bear a fixed rate of interest. The debenture issued by a company is an acknowledgment that the company has borrowed a certain amount of money, which it promises to repay at a future date.
- **Bonds:** It is the secured non-convertible debt instrument issued by government or specialised financial institution.
- **Financial institution :** Financial institutions are established by the central as well as state governments. They provide both owned capital and loan capital for long and medium term requirements and supplement the traditional financial agencies like commercial banks. As these institutions aim at promoting the industrial development of a country, these are also called 'development banks'.
- **Commercial bank:** Commercial banks give loans to organizations in either cash credits, overdrafts, term loans, purchase/discounting of bills, or issue of letter of credit. Banks help enterprises by providing loans to produce goods and contribute towards industrial growth and generate employment opportunities.
- **Public Deposits:** The deposits that are raised by organisations directly from the public are known as public deposits. Rates of interest offered on public deposits are usually higher than that offered on bank deposits. Any person who is interested in depositing money in an organisation can do so by filling up a prescribed form. The organisation in return issues a deposit receipt as acknowledgment of the debt. Public deposits can take care of both medium and short-term financial requirements of a business.
- **Trade Credit:** It is the credit facility allowed by a business organisation to its customers of reasonable financial standing on account of purchases of supplies made by the customers without immediate payment.
- **Inter Corporate Deposit (ICD):** Inter Corporate Deposits are unsecured short-term deposits made by a company with another company. ICD market is used for short-term cash management of a large corporate. As per the RBI guidelines, the minimum period of ICDs is 7 days which can be extended to one year.

Key Terms

- **Finance:** Funds or capital required to meet the needs of an organisation.
- **Business Finance:** Is concerned with the acquisition and utilisation of funds in meeting the financial needs and overall objectives of a business enterprise.
- **Fixed Capital:** The capital required for long-term investment in fixed assets of a business.
- **Working Capital:** The capital which is required to hold current assets and to meet its day-to-day expenditure.
- **Owner's fund:** Funds that are provided by the owners of the enterprise and remain invested in the business for a longer duration till the business continues to exist.
- **Borrowed Fund:** Fund raised through loans and borrowings for a specified period, on a fixed rate of interest.
- **Financial Risk:** The possibility of a firm's inability to pay the interest and to refund the borrowed amount.
- **Share:** Share is the smallest unit of the share capital raised by a company.
- **Equity Share Capital:** The capital raised by a company by using equity shares.
- **Shareholders:** The investors who subscribe the shares and to whom allotment of shares is made in the market.
- **Preference Share capital:** The capital raised by issuing preference shares in the market.
- **Primary market:** The market for newly issued financial securities.
- **Residual owners:** The owners of business (equity shareholders), who receive residual income after meeting all financial commitments to creditors.
- **Dividend:** The return paid to shareholders in order to utilise the share capital.
- **Capital structure:** The composition of long term capital raised by the company showing proportion of Debt to Equity.
- **Retained earnings:** The part of the trading profits which are not distributed in the form of dividends but retained by the business organisation for future use.

CHAPTER-8

SMALL BUSINESS AND ENTERPRISES

Topic-1 Entrepreneurship Development and Small Scale Enterprises

Revision Notes

- Entrepreneurship is the process of setting up one's own business as distinct from pursuing any other economic activity, be it employment or practising some profession. Entrepreneurship development is the means of enhancing the knowledge and skill of entrepreneurs through several classroom coaching and programs, and training. The main point of the development process is to strengthen and increase the number of entrepreneurs.
- **Characteristics**
  (i) Systematic Activity
  (ii) Lawful and Purposeful Activity
  (iii) Innovation
  (iv) Organisation of Production
  (v) Risk-taking
- **Need**
  (i) Employment Opportunities
  (ii) Formation of capital
  (iii) Formulation of projects
  (iv) Balanced regional growth
  (v) Use of local resources
  (vi) Improvement in standard of living
- **Process of Entrepreneurship Development**
  (1) Discover: Any new process begins with fresh ideas and objectives, wherein the entrepreneur recognizes and analyzes business possibilities. The analyzing of opportunities is a risky task, and an entrepreneur looks out for inputs from other persons, including channel partners, employees, technical people, consumers, etc. to reach an ideal business opportunity.
  (2) Evaluation: The evaluation of an opportunity can be done by asking several questions to oneself. For instance, questions like whether it is worth taking a chance and investing in the idea, will it attract the consumer, what are the competitive advantages and the risk linked with it are asked. A reasonable and sensible entrepreneur will also analyze his skills and whether it matches his entrepreneurial objectives or not.
  (3) Developing a plan: After the identification of an opportunity, an entrepreneur has to build a complete business plan. It is the most important step for new business as it sets a standard and the assessment criteria and sees if a company is working towards the set goals.
  (4) Resources: The next step in the process of entrepreneurial development is resourcing. Here, the entrepreneur recognizes the source of finance and from where the human resource can be managed. In this step, the entrepreneur also tries to find investors for his new business.
  (5) Managing the company: After the hiring process and funds are raised now it's time to start the operation to accomplish the desired goals. All the entrepreneur will decide on the management structure that will be assigned to resolve the operational problems whenever it occurs.
  (6) Harvesting: The last step in this process is harvesting, where an entrepreneur determines the future growth and development of the business. Here, real-time development is compared with the projected growth, and then the business security or the extension is initiated accordingly.

  Intellectual Property: It means providing property rights through patents, copyrights and trademarks. Holders of intellectual property rights have a monopoly on the usage of property or items for a specified time period. The term intellectual property began to be used in the 19th Century. Only in the 20th century did it become part of the world's legal systems.

- **Concept of Micro, Small and Medium Enterprises:**

(i) Meaning and nature of small business

(a) Small scale industry.
(b) Ancillary small industrial unit.
(c) Export oriented units (EOUs).
(d) Small scale industries owned and managed by women entrepreneurs.
(e) Tiny industrial units.
(f) Small scale service and business (industry related) enterprises.
(g) Micro business enterprises.
(h) Village industries.
(i) Cottage industries.

Topic-2 Role of Small Business in India

Revision Notes

- **Role of Small Business in India**

(i) Major portion in industrial units.
(ii) Low cost of production.
(iii) Quick decisions.
(iv) Simple and flexible production techniques.
(v) Opportunities for entrepreneurship.
(vi) Second largest employment provider.
(vii) Large variety of products.
(viii) Balanced regional develop-ment.
(ix) Good personal relations.

- **Role of Small Business in Rural India**

(i) Employment opportunities.
(ii) Prevents migration.
(iii) Reducing inequalities.

- **Problems of Small Business in India**

(viii) S

(i) Finance.
(ii) Raw materials.
(iii) Managerial skills.
(iv) Labour.
(v) Marketing.
(vi) Quality.
(vii) Capacity utilisation.
(viii) Technology.
(ix) Sickness.
(x) Global competition.

Topic-3 Government Schemes and Agencies for SSI

Revision Notes

- **Government Assistance to Small Business**

(i) **Institutional support:**

(a) National Bank for Agriculture and Rural Development (NABARD).
(b) The Rural Small Business Development Centre (RSBDC).
(c) National Small Industries Corporation (NSIC).
(d) Small Industries Development Bank of India (SIDBI).
(e) The National Commission for Enterprises in the Unorganised Sector (NCEUS).
(f) Rural and Women Entrepreneurship Development (RWED).
(g) World Association for Small and Medium Enterprises (WASME).
(h) Scheme of Fund for Regeneration of Traditional Industries (SFURTI).

(i) District Industries Centres (DICS).

(ii) Incentives

(a) Land	**(b)** Water	**(c)** Power
(d) Sales tax	**(e)** Octroi	**(f)** Finance
(g) Industrial estates	**(h)** Raw material	**(i)** Tax holiday

National Small Industries Corporation (NSIC): This was set up in 1955 to promote, aid and foster the growth of small scale units in India.

Functions of NSIC : (1) It supplies imported machines and raw materials to small scale industries on easy hire-purchase schemes.

(2) It exports the products of small units.

(3) It provides technology to small scale Industries.

(4) Helps in up-gradation of technology.

(5) Provides advisory service.

(6) Developing software technology parks and technology transfer centres.

District Industries Centers (DICs): DICs were established in May 1978. District Industries Centers is the institution at the district level which provides all the services and support facilities to the entrepreneurs for setting up small and village industries. Identification of suitable schemes, preparation of feasibility reports, arranging for credit, machinery and equipment, provision of raw materials and other extension services are the main activities undertaken by these centers.

Key Terms

- **Entrepreneurship :** Is the art of starting a business, basically a startup company offering creative product or service.
- **Entrepreneurship Development:** Is the process of improving the skills and knowledge of entrepreneurs through various training and programs.
- **Micro Industrial Enterprise:** In such enterprise the investment in plant and machinery does not exceed ₹ 25 lakh.
- **Small Industrial Enterprise:** The enterprise in which the investment in plant and machinery is more than ₹ 25 lakh does not exceed ₹ 5 crores.
- **Medium Enterprise:** In such enterprise, the investment in plant and machinery is more ₹ 5 crores but does not exceed ₹ 10 crores.
- **Cottage Industry:** The traditional industries organised by individuals with private resources, producing simple goods using indigenous technology and simple equipment and normally using family labour.
- **Regional Disparity:** Unequal and unbalanced development of some regions as compared to other regions which are fully developed economically and socially.
- **Customised production:** Designing the product as per the tastes/preference/needs of an individual customer.
- **NABARD:** National Bank for Agriculture and Rural Development established on 15 July 1982 to provide finance to rural areas to promote integrated rural development.
- **RSBDC:** Rural Small Business Development Centre is setup by the World Association for small and medium enterprises for providing management and technical support to micro and small entrepreneurs in rural areas.
- **NSIC:** National Small Industries Corporation setup in 1995 to promote, aid and foster the growth of small units in India.
- **SIDBI:** Small Industries Development Bank of India established in 1989 to promote, finance and develop the small sector in India.
- **NCEUS:** The National Commission for Enterprise in the Unorganised Sector was constituted in September 2004 to provide financial assistance, and offering various schemes for the development of informal sector.
- **RWED:** Rural and Women Entrepreneurship Development aims at promoting conductive business environment and support entrepreneurial initiatives taken by women and rural people.
- **WASME:** World Association for Small and Medium Enterprise is an international body setup for promotion of small and medium scale enterprise.
- **SFURTI:** Scheme of Fund for Regeneration of Traditional Industries created by the Government to enhance the productivity and competitiveness of Traditional Industries.
- **DICs:** District Industrial centres are established with an objective to make available all necessary services at one place for Small Scale Industries.

CHAPTER-9

INTERNAL TRADE

Topic-1 Internal Trade: Meaning, Services of Wholesaler and Retailers

Revision Notes

- **Internal trade;** Buying and selling of goods and services within the boundaries of a nation is referred to as internal trade.

  Types of Internal Trade

  (1) Wholesale trade

  (2) Retailers trade
- **Wholesale trade:** Wholesale trade refers to buying and selling of goods and services in large quantities for the purpose of resale or intermediate use.
- **Retailers:** Are the channels of distribution who buy the goods from wholesalers and sell the goods of different varieties in small quantities directly to ultimate consumers.
- **Services of Wholesalers to manufacturers:**

  (i) Facilitating large-scale production.

  (ii) Financial assistance.

  (iii) Bearing risk.

  (iv) Expert advice.

  (v) Storage.

  (vi) Facilitates production continuity

  (vii) Helps in marketing function.
- **Services of wholesalers to retailers:**

  (i) Availability of goods.

  (ii) Risk sharing.

  (iii) Grant of credit.

  (iv) Marketing support.

  (v) Specialised knowledge.
- **Services of Retailers to Manufacturers and Wholesalers:**

  (i) Help in distribution of goods

  (ii) Personal selling

  (iii) Enabling large-scale operations

  (iv) Collecting market information

  (v) Help in promotion
- **Services of retailers to Consumers:**

  (i) Regular availability of products

  (ii) New products information

  (iii) Convenience in buying

  (iv) Wide selection

  (v) After-sales services

  (vi) Provide credit facilities

Topic-2 Types of Retail Trade: Itinerant and Small Scale Fixed

Revision Notes

- **Retail trade:** Retail trade refers to sale of goods in small lots to the final consumers.
- **Types of retail trade**

  (i) Itinerant retailers.

  (ii) Fixed shop retailers.
- **Types of itinerant retailers**

  (i) Peddlers and hawkers.

  (ii) Market traders.

(iii) Street traders.

(iv) Cheap jacks.

- **Types of fixed shop retailers**

  (i) Small retailers.

  (ii) Large retailers.

- **Types of small retailers:**

  (i) General stores.

  (ii) Speciality shops.

  (iii) Street stall holders.

  (iv) Second-hand goods shop.

  (v) Single line stores.

- **Types of large retailers:**

  (i) Departmental stores

  (ii) Multiple shops

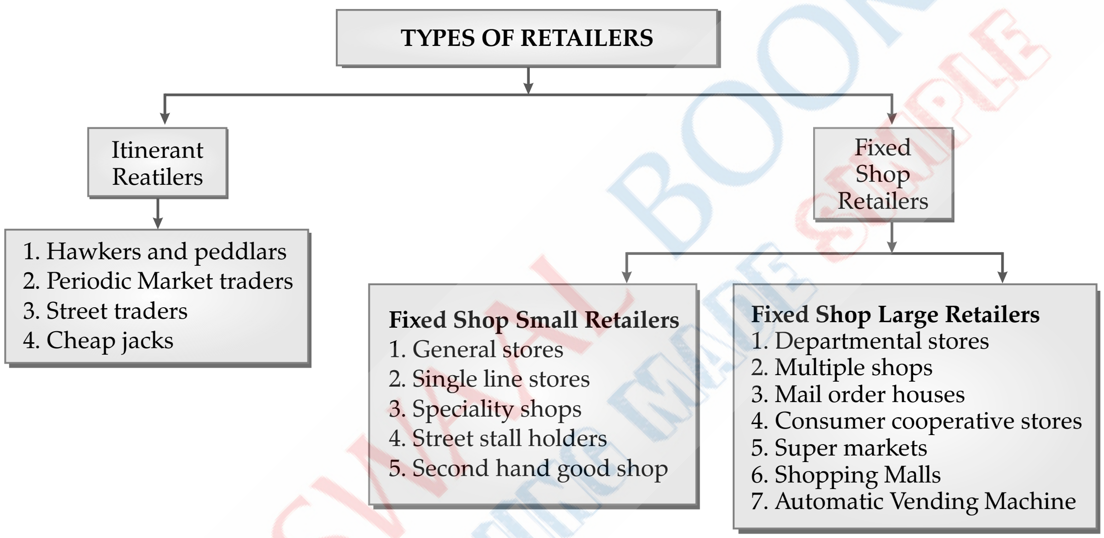
  (iii) Mail order houses

  (iv) Consumer co-operative stores

  (v) Super Markets

  (vi) Shopping Malls

  (vii) Automatic vending Machine



Topic-3 Large Scale Retailers: Departmental Stores, Chain Stores

Revision Notes

- **Types of large retailers:**

  (i) Departmental stores.

  (ii) Chain stores or multiple shops.

  (iii) Mail order business.

  (iv) Consumer co-operative stores.

  (v) Supermarkets.

  (vi) Franchise

- **Departmental stores (meaning):** A Departmental store is a large establishment, which sells a wide variety of products and aims to satisfy all needs of the customers under one roof.
- **Features of Departmental stores:**

  (i) It is a large store with different types of products.

  (ii) There will be separate departments like medicines, furniture, clothing etc.,

  (iii) These stores are located in the heart of the city.

  (iv) These stores are managed by the board of directors.

  (v) These stores have storage facilities also.

DEPARTMENTAL STORES

Advantages

1. Attract large number of customers
2. Convenience in buying
3. More services are provided
4. Benefits of large scale operations
5. Sales get increased by advertising

Disadvantages

1. Lack of personal attention
2. More cost of operating the store
3. More chances of loss
4. Far away from home

- **Chain store or multiple shops (meaning):** Chain stores or multiple shops are networks of retail shops, which are owned by the single business enterprise. Under this type of arrangement, a number of shops with similar appearance are established in localities, spread over different parts o f the country. These different shops normally deal in standardised and branded consumer products, which have rapid sales turnover.
- **Features of Chain Stores:**

(i) These shops are located in popular localities.
(ii) Goods are dispatched from the head office.
(iii) Each shop is under the supervision of a branch manager.
(iv) All the branches are controlled by the head office.
(v) All sales are made on cash basis.
(vi) The head office appoints the inspectors who do supervision.

CHAIN STORES/MULTIPLE SHOPS

Advantages

1. Large scale production takes place
2. Middlemen are avoided
3. Cash Basis
4. Risk is reduced
5. Low cost due to avoidance of middlemen
6. Place can be changed if there are no profits

Disadvantages

1. Limited varieties are available
2. No personal touch
3. Problems of changes in demand
4. Delay in decision

- **Mail Order Houses:**
Mail order houses are the retail outlets that sell their merchandise through mail. There is generally no direct personal contact between the buyers and the sellers in this type of trading. For obtaining orders, potential customers are approached through advertisements in newspapers or magazines, circulars, catalogues, samples and bills, and price lists sent to them by post.
- **Advantages of mail order business:**

(i) These shops are located in popular localities.
(ii) Limited capital requirement
(iii) Elimination of middle men
(iv) Absence of bad debt
(v) Wide reach
(vi) Convenience

- **Limitations of mail order business**

(i) Lack of personal contact
(ii) High promotion cost
(iii) No after sales service
(iv) No credit facilities
(v) Delayed delivery
(vi) Possibility of abuse
(vii) High dependence on postal services

Topic-4 GST

Revision Notes

- GST stands for Goods and Services Tax is an indirect tax imposed on the supply of goods and services. It is a multi-stage, destination-oriented tax imposed on every value addition, replacing multiple indirect taxes, including VAT, excise duty, service taxes, etc.
- **Objectives of GST :-**
  (i) To eliminate the cascading impact of taxes on production and distribution of cost of goods and services.
  (ii) Streamlining indirect tax regime.
  (iii) Growth of Revenue in States and Union.
  (iv) Reduction in transaction costs and unnecessary wastages.
  (v) Elimination of the multiplicity of taxation.
  (vi) One Point Single Tax.
  (vii) Reduction in average tax burdens.
  (viii) Reduction in the corruption.
- **Types of GST laws**
  (i) At a central level called 'Central GST (CGST)'
  (ii) At the state level - 'State GST (SGST)'.
- **Features of the GST model**
  (i) **Two components:** one levied by the Centre (referred to as Central GST), and the other levied by the States (referred to as State GST). Rates for Central GST and State GST approved appropriately.
  (ii) The Central GST and the State GST are applicable to all transactions of goods and services made for a consideration except the exempted goods and services.
  (iii) The Central GST and State GST are to be paid to the accounts of the Centre and the States individually.
  (iv) Since the Central GST and State GST are treated individually, taxes paid against the Central GST are allowed to be taken as input tax credit (ITC) for the Central GST and can be utilised only against the payment of Central GST.
  (v) Cross utilisation of ITC between the Central GST and the State GST is not permitted except in the case of inter-State supply of goods and services.
  (vi) The taxpayer needs to submit periodical returns, in common format, to both the Central GST authority and to the concerned state GST authorities.
- **Benefits of GST**
  (i) GST provides comprehensive and wider coverage of input credit set-off, you can use service tax credit for the payment of tax on sale of goods etc.
  (ii) Many indirect taxes in state and central level have been included by GST. You need to pay a single GST instead of all.
  (iii) Uniformity of tax rates across the states.
  (iv) Ensure better compliance as aggregate tax rate reduces.
  (v) By reducing the tax burden, the competitiveness of Indian products in international market has increased and thereby development of the nation.
  (vi) Prices of goods are expected to reduce in the long run as the benefits of less tax burden would be passed on to the consumer.
- **Indirect taxes included under GST**
  (i) **State taxes**
    (a) VAT/Sales tax
    (b) Entertainment Tax (unless it is levied by local bodies)
    (c) Luxury tax
    (d) Taxes on lottery, betting and gambling.
    (e) State cesses and surcharges in so far as they relate to supply of goods and services.
    (f) Entry tax not in lieu of octroi.
  (ii) **Central Taxes**
    (a) Central Excise Duty.
    (b) Additional Excise Duty.

- **(c)** The Excise Duty levied under the medical and Toiletries Preparation Act
- **(d)** Service Tax.
- **(e)** Additional Customs Duty, commonly known as countervailing Duty (CVD)
- **(f)** Special Additional duty of customs- (SAD)
- **(g)** Surcharges
- **(h)** Cesses

(i) The above taxes dissolve under GST; instead only CGST & SGST exists.

- **Applicability of CGST and SGST**
  - **(i)** There is a prescribed limit of annual turnover.
  - **(ii)** Some goods and services are exempted under GST.

Key Terms

- **Wholesalers:** Are the intermediaries who purchase goods in large quantities from manufactures and resell to the retailers.
- **Retailers:** Are the channels of distribution who buy the goods from wholesalers and sell the goods of different varieties in small quantities directly to ultimate consumers.
- **GST:** Stands for Goods and Services Tax
- **CGST:** Stands for Central Goods and Services Tax.
- **SGST:** Stands for State Goods and Services Tax
- **Itinerant Retailers:** Those traders who do not have a fixed place of business to operate.
- **Paddlers and hawkers:** Small or petty traders who carry the products on a bicycle, handcart or on their heads, moving from place to place to sell their merchandise at doorsteps of customers.
- **Market Traders:** Small traders who open their temporary shops at different places on a fixed days or dates.
- **Street Vendors:** Small traders found at places of floating population selling consumer items of common use.
- **Cheap Jacks:** Are the petty traders who have independent shops of temporary nature in a business locality.
- **Fixed Shop Retailers:** Small traders who have retail shops as permanent establishment to sell their merchandise.
- **General Stores:** Retail shops found in residential areas selling varieties of items of daily use to local residents of that area.
- **Specialty Shops:** A specialty shop deals in goods having some kind of specialty or a specific line.
- **Street Stall Holders:** These are small vendors commonly found at street crossings, selling goods of cheap variety to floating customers by displaying goods in their stalls.
- **Second-hand Goods Shop:** Shops meant for those customers who cannot afford to buy first-hand goods.
- **Departmental stores:** Is a large sized retail establishment consisting of several departments under one roof with each department dealing in one product line.
- **Chain stores:** Or multiple shops are networks of retail shops that are owned and operated by manufacture or intermediaries, selling same line of product.
- **Mail order business:** Mail order business houses are the retail outlets that sell their merchandise through mail.
- **Octroi:** Indirect tax levied by local Government on the goods.

CHAPTER-10

INTERNATIONAL TRADE

Topic-1 Concept of International Trade

Revision Notes

- Business transactions taking place within the geographical boundaries of a nation is known as domestic or national business or internal business or home trade.

- Manufacturing and trade beyond the boundaries of one's own country is known as international business or external business.
- The fundamental reason behind international business is that the countries cannot produce equally well or cheaply all that they need because of the unequal distribution of natural resources among them or differences in their productivity levels.
- The international business is the result of geographical specialization.
- **Key aspects in respect of which domestic and international businesses differ from each other are:**
  (i) Nationality of buyers and sellers
  (ii) Nationality of other stakeholders
  (iii) Mobility of factors of production
  (iv) Customer heterogeneity across markets
  (v) Differences in business systems and practices
  (vi) Political system and risks
  (vii) Business regulations and policies
  (viii) Currency used in business transactions
- **Scope of international trade**
  (i) Merchandise exports and imports
  (ii) Service exports and imports
  (iii) Licensing and franchising
  (iv) Foreign investments
- **Benefits of International trade**
  (i) To nations
    (a) Earning of foreign exchange.
    (b) More efficient use of resources.
    (c) Improving growth prospects and employment potentials.
    (d) Increased standard of living.
  (ii) To firms
    (a) Prospects for higher profits.
    (b) Increased capacity utilization.
    (c) Prospects for growth.
    (d) Way out to intense competition in domestic market.
    (e) Improved business vision.

Topic-2 Import Trade and Export Trade – Meaning and Procedure

Revision Notes

- **Ways of importing and exporting**
  (i) Direct method – The firm itself approaches the overseas buyers / suppliers and looks after all the formalities
  (ii) Indirect method – The firm's participation is minimum and most of the tasks are carried out by middle men like export houses, etc.
- **Advantages of exporting / importing**
  (i) Easiest way of gaining entry into international markets
  (ii) Less involvement
  (iii) Does not require much of investment in foreign countries
- **Limitations of exporting / importing**
  (i) Involves additional packing, transportation and insurance costs.
  (ii) Not a feasible option when import restrictions exist in a foreign country.
  (iii) Do not have much personal contact with the foreign market.
- **Export procedure**
  (i) Receipt of enquiry and sending quotations
  (ii) Receipt of order or indent
  (iii) Assessing importer's credit worthiness and securing a guarantee for payment
  (iv) Obtaining export license
  (v) Obtaining pre-shipment finance

(vi) Production or procurement of goods
(vii) Pre-shipment inspection
(viii) Excise clearance
(ix) Obtaining certificate of origin
(x) Reservation of shipping space
(xi) Packing and forwarding
(xii) Insurance of goods
(xiii) Customs clearance
(xiv) Obtaining mate's receipt
(xv) Payment of freight and issuance of bill of lading
(xvi) Preparation of invoice
(xvii) Securing payment

- **Import procedure**

(i) Trade enquiry
(ii) Procurement of import license
(iii) Obtaining foreign exchange
(iv) Placing order or indent
(v) Obtaining letter of credit
(vi) Arranging for finance
(vii) Receipt of shipment advice
(viii) Retirement of import documents
(ix) Arrival of goods
(x) Customs clearance and release of goods

Topic-3 Documents involved in International Trade

Revision Notes

- Major documents in an export transaction

(i) Documents related to goods
(a) Export invoice
(b) Packing list
(c) Certificate of Origin
(d) Certificate of Inspection

(ii) Documents related to shipment
(a) Mate's receipt
(b) Shipping bill
(c) Bill of Lading
(d) Airway bill
(e) Marine insurance policy
(f) Cart ticket

(iii) Documents related to payment
(a) Letter of Credit
(b) Bill of Exchange
(c) Bank certificate of payment

- **Major documents in an import transaction**

(i) Trade enquiry
(ii) Proforma invoice
(iii) Import order or indent
(iv) Letter of Credit
(v) Shipment advice
(vi) Bill of Lading
(vii) Airway bill
(viii) Bill of Entry
(ix) Bill of Exchange
(x) Sight draft
(xi) Usance draft
(xii) Import general manifest
(xiii) Dock challan

Topic-4 World Trade Organisation

Revision Notes

- The countries that were participants to the Bretton Woods conference agreed upon having some arrangement among themselves so as to liberalise the world from high customs tariffs and various other types of restrictions that were in vogue at that time. This arrangement came to be known as the General Agreement for Tariffs and Trade (GATT).

- GATT was transformed into World Trade Organisation (WTO) with effect from 1st January 1995.
- The WTO is a permanent organisation created by an international treaty ratified by the governments and legislatures of member states. It is, moreover, a member-driven rule-based organisation in the sense that all the decisions are taken by the member governments on the basis of a general consensus. As the principal international body concerned with solving trade problems between countries and providing a forum for multilateral trade negotiations, it has a global status similar to that of the IMF and the World Bank. India is a founding member of WTO.
- **Major objectives of WTO:**
  (i) To ensure reduction of tariffs and other trade barriers imposed by different countries;
  (ii) To engage in such activities which improve the standards of living, create employment, increase income and effective demand and facilitate higher production and trade;
  (iii) To facilitate the optimal use of the world's resources for sustainable development;
  (iv) To promote an integrated, more viable and durable trading system.

Key Terms

- **International Trade:** Exchange of goods or services across international borders.
- **Foreign exchange:** The currency of foreign countries.
- **Export Trade:** Trade which involves selling of goods and services across the boundaries of a nation.
- **Import Trade:** Buying of goods and services from foreign countries.
- **Contract manufacturing or Outsourcing:** A type of international business where a firm enters into a contract with one or a few local manufacturers in foreign countries to get certain components or goods produced as per its specifications.
- **Licensing:** A contractual arrangement in which one firm grants access to its patents, trade secrets or technology to another firm in a foreign country for a fee.
- **Royalty:** The fees paid for licensing.
- **Franchising:** A specialised form of licensing in which the franchisor not only sells intangible property (normally a trademark each) to the franchisee, but also insists that the franchisee agrees to abide by strict rules as to how it does business.
- **Joint Venture:** Establishing a firm that is jointly owned by two or more otherwise independent firms.
- **Indent:** It is a document in which the buyer orders for supply of requisite goods to the supplier (exporter).
- **Letter of Credit:** It is document that contains a guarantee from the importer's bank to the exporter's bank to honour the payment up to a certain amount of the bills issued by the exporter for goods exported.
- **Shipping Order:** On acceptance of application for reservation of shipping space, the shipping company issues shipping order as an instruction to the captain of ship to receive the goods on board.
- **Shipping Bill:** Is the main document on the basis of which customs office grant permission for the export. This bill contains the particulars of the goods being exported, name of the vessel and the port of final destination, exporter's name and address etc.
- **Mate's Receipt:** It is a receipt issued by the commanding officer of the ship when the cargo is loaded on board and contains the information about the name of vessel, berth, date of shipment, description of packages, condition of cargo etc. at the time of receipt on board the ship.
- **Bill of Lading:** After receipt of the freight, the shipping company issues bill of lading which serves as an evidence that the shipping company has accepted the goods for carrying to the designated destination.
- **Certificate of Origin:** This is a certificate that specifies the country in which the goods are being produced and entitles the importer to claim tariff concessions or other exemptions on goods originating from certain pre-specified countries.
- **Consular Invoice:** Is a document signed by the consul of the importers country stationed in exporter's country which shows the certified value of the concerned exported goods for the payment of import duties.
- **Documents Against Acceptance (D/A):** In the case of document against acceptance (also known as usance draft) the drawer of the bill instructs the bank to handover the relevant documents to importer against acceptance of bill of exchange.

- **Document Against Payment (D/P):** It this case (also known as sight draft) the drawer instructs the bank to handover the relevant documents to the importer only against payment.
- **GATT:** General Agreement on Trade and Tariffs.
- **TIFA:** Trade and Investment Framework Agreement.
- **BIT:** Bilateral Trade Agreement.
- **EIT:** Economic Integration Trade.
- **PTA:** Preferential Trade Agreement.
- **ATC:** Agreement on Textile and Clothing.
- **TRIPS:** Trade Related Aspects of Intellectual Property Rights.

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