SYLLABUS

B.Com. I YEAR

Subject – Business Organization and Communication

UNIT – I	Business Organization: Definition, Concept, Characteristics, Objectives, Significance, Components, Functions. Business ethics, Social responsibilities of Business, Promotions of Business: Meaning, Functions, Stages of Promotion. Forms of Business Organization: Detailed Study of Sole Proprietorship and Partnership.

UNIT – I

Business –

Business implies those activities which are carried on with a view to earn profit/wealth. It is the human activity directed towards the acquisition of wealth through the production and exchange of goods and services.

Features or characteristics of business:

1) Activity of Human Beings
2) Monetary gains
3) Exchange of goods & services
4) Continuity & regularity
5) Creation of utility
6) Existence of risk elements
7) Organized & systemized institutions
8) Entrepreneurship
9) Financial Management
10) Development of Vasudhaiv Kutumbkam : It implies that whole universe is my family.
11) Social commitment
12) Consumer is monarch
13) It is very comprehensive & wide activity
14) A pluralistic institutions: A business organization is a pluralistic institution. Its success is based on united efforts of various categories of people such as its promoters, investors, employees, government and public.
15) Different forms: There are different forms of business organization like sole trading. Partnership, company, departmental organization, corporations, trusts, boards etc.
16) An institution with multiple objectives
17) Dynamic environment
18) Government control and regulation
19) An organ of the society
20) Innovation and marketing as basic function
21) Customer Satisfaction

Objectives of Business:

Object of Business: The following are the main objects of business:

(a) Economics object or profit motto.
(b) Social object or service motto.
(c) Human object.
(d) National object.

(a) Economic object or profit motto.

(1) For expansion of business
(2) Profit is a Reward of Entrepreneur
(3) Protection against future risk
(4) Basis of investment
(5) Barometer of efficiency and success
(6) Safeguard of employees economic interest
(7) Creation of Goodwill
(8) Source of public Revenue
(9) For existence of business

(b) Service Motto/Social object

1) Each business activity is undertaken keeping in view the interest of consumers because there is no existence of business without customers.
2) The object of business must be maximum satisfaction for the customer.
3) The entrepreneur must always accept reasonable price for the article sold by him because reasonable price policy makes the customer permanent.
4) The businessmen must always produce or manufacture and sell articles of a high standard and quality.
5) The businessmen must always try to improve the quality his product. This helps the consumer in getting good services and the future of business remain bright.

(c) Human Object:

Day-to-day work of the business is done by employee and workers. Thus, to keep in view the satisfaction of all the people connected with the business comes within the purview of human object.

(d) National Object:

The fourth object of business is national object national object means conduct of business protecting the interest of the nation, Conduct of business free from hording, profiteering, smuggling comes within the scope of national object.

Organization –

An organization is a group of people intentionally organized to accomplish an overall, common goal or set of goals.

Characteristics of Organization –

1) Division of labour
2) Coordination
3) Accomplishment of common objectives
4) Authority responsibility structure
5) Communication

Business Organization –

Business organization is concerned with the study of the methods and procedures of establishing and operating business enterprises with the purpose of earning profits by rendering service to the society. The scope is very wide. It comprises business ownership, the types of traders engaged in the supply of goods and services, the institutions which facilitate trade, the financial arrangements used to conduct business, the problems of location and layout of the undertaking, the principles of management, forms of combinations, methods of wage payment, etc.

Objectives of Business Organization

1) Unity of objectives
2) Efficiency
3) Division of work
4) Span of control
5) Scalar principle
6) Delegation
7) Functional definition
8) Absoluteness of responsibility

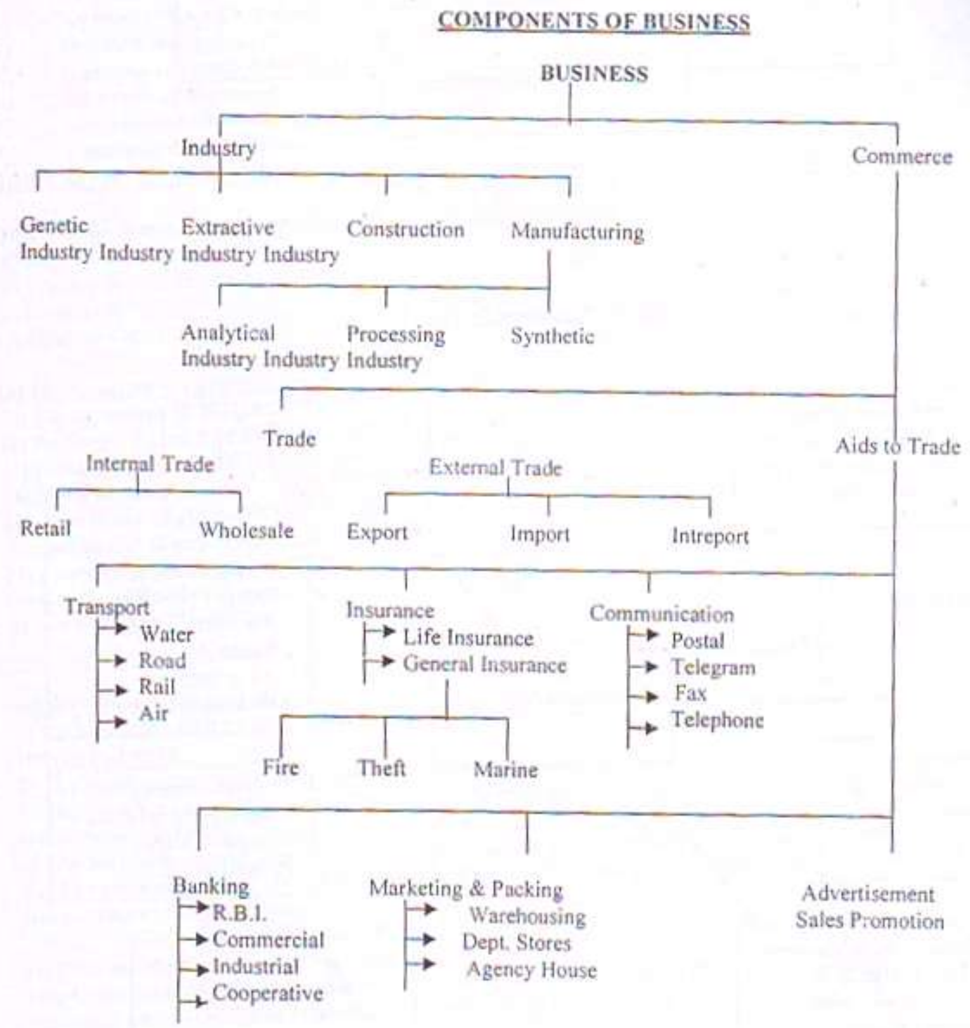
Functions of Business Organization –

1) Production function
2) Marketing function
3) Finance function
4) Personnel function
5) Other functions

Significance of Business Organization –

1) Facilitates administration
2) Ensures specialization
3) Facilitates growth and diversification
4) Encourages creativity
5) Optimum use of technological improvements
6) Facilitates coordination
7) Rapid economic development

Components of Business Organization –



I. Industry

The main characteristics of industry are-

(i) It is a primary activity of business,

(ii) It involves process of conversion of form.

(iii) Utility is created in it.

(iv) Main activity of industry is conversion of raw material into useful finished goods.

(v) Manufacturing process has an object of profit.

(vi) Form of material is chahged altogether.

II. Commerce

Commerce means those activities which are done from production of commodities and their supply to consumers with the object of earning profit.

Characteristics-

(i) Trade is included in commerce.
(ii) Subsidiary activities of trade like insurance, banking, transportation are also included in commerce.
(iii) Commerce is a link between a producer and a consumer.
(iv) Commerce creates time and place utility.
(v) Commerce removes obstacles arising in exchange of commodities.

III. Trade

Purchase and sale of goods in a business in order to earn profit is called trade. Thus the following are the characteristics of trade-

(i) Purchase and sale of commodities and services.
(ii) Two parties- Buyer and sellers. Middleman are also included in it.
(iii) The main object of trade is to earn profit.
(iv) Medium of trade is money.
(v) Element of risk and enterprise exists in trade.
(vi) Business activities remain regular and continues.
(vii) Purchase of a commodity is meant for sale.

Social Responsibility of Business

Social responsibility means the objective concern for the welfare of society.

"Social responsibility is to pursue those policies and decisions or to follow those lines of actions which are desirable in terms of the objective and value of our society."

Features:

1. Social responsibility is a two-way traffic
2. It is related with business organizations
3. Universal concept
4. Supremacy of public interest
5. Scope of social responsibility is not limited
6. Establishes new socio-economic values: it establishes new economic and social values such as decentralization of power, equal and justified distribution of resources, business morality, etc.
7. Source of gaining social power
8. Basis of business success
9. It is a continuous process

Objectives:

1. Social Welfare
2. Satisfaction of human wants and improvement of standard of living.
3. Promotion of business
4. Creation of positive public image
5. Development of nation.

Methods of Discharging Social Responsibility

1. Adoption of different types of social programs

(a) pursuing the goal of economic growth and efficiency by improving productivity and cooperating with the government.
(b) Helping colleges and universities through grants, donations, funding of research programme, maintenance of interaction, training and placement of students.

(c) Retraining and placement of disadvantaged or retiring workers.
(d) Undertaking urban development programmes such as low cost housing, adoption of backward areas.
(e) Pollution and effluent control.
(f) Ecological conservation and recreation.
(g) Patronizing art and culture through and to institutions engaged in such tasks.
(h) Designing low cost medical care programmes.
(i) Improving management in government.

2. Substituting optimum profits against maximum profits When a company is operating under voluntarily imposed restraints, it is said to be satisfying rather than maximizing profits.

3. Cooperating with various Stockholder

4. Prescription of social goals as integral part of the corporate policy

Causes for growing concern for social responsibilities

1. Public Opinion.
2. Trade Union Movement
3. Consumerism
4. Education
5. Public Relation
6. Managerial revolution.

Scope of social Responsibility:

Social responsibility is two-way traffic.

I. Social responsibility of business towards different sections of the society.
II. Social responsibility of different sections of the society towards the business.

I. Social responsibility of business Towards Different Section of the Society:

1. Towards the business itself
2. Towards the owners of business
3. Towards the creditors
4. Towards the employees
5. Towards the suppliers of goods
6. Towards professional institutions
7. Towards other business institutions
8. Towards local community
9. Towards the government
10. Towards the world society

II. Social Responsibility of Different Section of Society Towards Business:

1. Responsibility of owners
2. Responsibility of employees
3. Responsibility of consumers
4. Responsibility of investors
5. Responsibility of suppliers
6. Responsibility of professional institution: The professional institution of Management Studies, Chartered Accountants, cost Accountants, etc. should inform the business about the latest professional knowledge and techniques developed by them through publications, organizing the seminars and conferences. The business managers may be invited to participate in such programmes.

7. Responsibility of top level managers
8. Responsibility of the community

Significance social responsibility of Business:
1. Need to balance power with Responsibility
2. Voluntary actions would prevent government regulation
3. To promote long-run profits
4. Recognition of moral obligations by business
5. Vastness of resources and intricate social problems
6. Correction of business causing social business
7. Creation of positive public image
8. Response to changing public expectations.

Limitations of Social Responsibility:
1. Unsupported by logic
2. Militates against the test of market place
3. Cost burden on consumers
4. Non-availability of social skills
5. Correction of ironical situations
6. Diversion from the main objective
7. Adverse impact on economic efficiency

PROMOTION OF BUSINESS

PROMOTION

'Promotion of a business enterprise' refer to the act and process of establishing a new business unit. Promotion may e defined as the discovery of business opportunities and the subsequent organization of funds, property and managerial ability into a business concern for the purpose of making profits therefrom.

Methods/Stages in Promotion –
1) Discovery of Idea
2) Investigation and verification
3) Assembling
4) Financing the proposition

PROMOTER

The term 'Promoter' stands for a person who conceives the business idea and takes various steps to bring the enterprise into existence and to grow is as a successful venture.

Types of Promoters
1. **Occasional Promoters:** The are those entrepreneurs who promote a business enterprise and manage its affairs after it comes into being. Promotion is not occupation of such entrepreneurs.
2. **Professional Promoters:** these person are specialists in promoting new business ventures. Promotion is their whole time occupation.
3. **Financial promotes:** their main object is to make use favorable investment climate to earn profits.
4. **Technical Promoters:** they are expert in technical matters. Areas of their expertise may relate to law, engineering, consultants, architects, etc. such promoters are given fee for their consultancy services.

5. **Specialized institutions:** These institutions float new business enterprises either at their own or by collaborating with other entrepreneurs. Example of such entrepreneurs are IDBI (Industrial Development Bank of India), NIDC (National Industrial Development Corporation).
6. **Government**
7. **Political Promoters**

FUNCTIONS OF PROMOTERS

(A) Procedural functions /

1. **Risk taking –** Risk taking is a primary function of entrepreneur & profit is the reward for it.
2. **Deducing** the profit – The foremost function of promoter is to decide the nature of the project to be undertaken.
3. **Size of unit –** Determination of the size of the unit is another imp. Area.
4. **Location –** The choice of the area & selection of a specific sight in such area.
5. **Razing fund –** After the selection of the project promoter has to arrange for finance
6. **Choice of organization –**He decides the correct type of organization to be formed.
7. **Production planning –** Promoter makes decision regarding technology, machinery, equipments, plants & another project facilities.
8. **Earning project**
9. **Project report** – The promoter takes responsibilities regarding preparation of project report.
10. **Tax Planning** – Promoter consult tax experts to minimize the tax liabilities on the new venture.

(B) Legal Functions

Qualities of Successful Promoter

1. Winning Personality with leadership Qualities
2. Wide knowledge
3. Initiative and Foresight
4. Dynamic Outlook
5. Adaptability
6. Self confidence
7. Business ethics and Social responsibility
8. Consistent in behavior
9. Business connection and Goodwill
10. Aptitude for research, analysis and growth

FORMULATION OF COMPANY

I. Promotion

II. Incorporation – Once the promotion process is complete, the enterprise is to be registered as a body corporate. For this purpose an application is to be to the Registrar of Companies o the prescribed form accompanied with the following documents:

1. Memorandum of Association
2. Article f association
3. A list of Directors
4. Written consent of the Directors to act in that capacity.
5. A Statutory Declaration
6. Notice of the registered office of the company
7. Copy of the letter in which the name of the company has been approved

III. Floatation of Capital subscription

Capital Subscription Involves the following steps:

1. To ensure that the proposed issue of securities complies with the guideline laid down by the Securities and Exchange Board of India (SEBI).
2. To make agreement with the underwrites for underwriting of securities.
3. To apply to the stock exchange for listing of securities.
4. To appoint bankers, share brokers, managers to the issue of securities.
5. To file a copy of the prospectus with the Registrar of Companies.
6. To advertise the issue of securities and to issue the prospectus for public subscription.
7. To get the application form printed and supplied to the public.
8. To receive application along with the applications money through the bankers of the company.
9. To make allotment of securities. In case of over subscription the allotment must be made in consultation with stock exchange concerned.
10. To file allotment return with the Registrar of Companies within 30 days fro completion of allotment.

IV. Commencement of Business

For this purpose, the company should file with the Registrar of companies the following documents:

1. A declaration that a prospectus or a Statement in lieu thereof has be filled with the Registrar.
2. A declaration that shares payable in cash have been allotted to the extent of minimum subscription.
3. A declaration that the Directors have taken up their qualification shares and that they have pain in cash the application and allotment money on shares held by them in the same proportion as others.
4. A declaration that no money I liable to become refundable to the applicants by person of failure to apply for permission.

Forms of Business Organization

Sole Proprietorship

Meaning

"The sole proprietorship is that form of business ownership which is owned and controlled lay a single individual. He receives all the profits and risks all of the property in the success of failure of the enterprise."

Features of sole proprietorship business:

1. Easy formation
2. No separate legal entity
3. Unlimited liabilities
4. Individual risk bearing
5. Freedom of operation
6. Full Mgt.
7. One man control
8. Continuity

Advantages of sole proprietorship

1. Easy to form and dissolve
2. Direct motivation and incentive
3. Quick decision and prompt action
4. Economy and elimination of wastage
5. Flexibility
6. Personal touch
7. High Secrecy
8. Benefit of inherited goodwill
9. Freedom of business

Disadvantages of sole proprietorship

1. Limited resources
2. Limited managerial skill & abilities
3. Unlimited liabilities
4. Temporary existence
5. Limited scope for expansion
6. Difficulty of personal contact in widely separated areas
7. Monotony and hard work
8. Hasty decision

Partnership

Definition of Partnership:

"Partnership is the relation existing between person competent to make contracts who have agreed to carry on a lawful business in common, with a review of private gain"

The Indian Partnership Act 1932 defines "Partnership" as the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting you all"

Characteristics of Partnership:

1. Formation (two more person)
2. Agreements- among partners
3. Legal business as per the registration under partnership Act.
4. Profit Motive
5. Unlimited liability
6. Non transferability of share
7. Full management and control
8. Mutual agency
9. Utmost good faith
10. Individuality of the partner
11. No separate entry

Advantages of Partnership

1. Easy formation
2. Benefit of greater resources
3. Sharing of risks
4. Protection of minority interests
5. Flexibility
6. Balanced judgment
7. Personal supervision
8. More scope for expansion
9. Free from various expenses
10. Benefit of personal contracts of partners

Disadvantages of Partnership

1. Unlimited liability
2. Limited resources
3. Non-Transferability of shares
4. Instability
5. Lack of quick decisions
6. Lack of public confidence
7. Conflicts
8. Lack of secrecy and privacy
9. Absence of separate legal status

Partnership Deed
Meaning

The partnership Deed is a document which embodies the terms and conditions of the partnership agreement laying down the mutual rights, duties and obligations of partners. The deed is stamped in accordance with the stamp Act.

Contents: The common contents of Partnership Deed are

1. Name of the firm
2. Name and address of the partners
3. Nature of the business
4. Capital contributed by each partner
5. Proportion of division of profit and losses
6. The duties, powers and obligations of the partners
7. The mode of maintaining accounts
8. Management of business
9. Provision regarding retirement and dissolution
10. Arbitration in case of dispute among partners
11. Whether loans will be accepted form a partner
12. The amount salary payable to partners
13. The rate of interest payable to partners on their capital
14. The amount to be allowed as drawings and the rate of interest on amount withdrawn by them.

Different types of Partnership

1. **Partnership at will:** The partnership formed to carry on business without specifying and period of time is known as partnership at will
2. **Particular partnership:** When a partnership is formed for a fixed period or for a completion of a definite venture.
3. **Joint venture:** it is organized for a specific enture is a specified period. Member of joint venture do not enjoy general agency rights are defined. No member can withdraw from joint venture before the completion of specific venture.
4. **Limited Partnership:** In this liability of partners is limited except that of one or more partners.

Different kinds of partners:

1. **Active Partner:** a partner who is activity engaged in the conduct and management of the business.
2. **Sleeping or dormant partner:** The partner who does not participate in the management of the firm. They contribute capital ad get share in the profit or loss of the firm.
3. **Nominal Partner:** Nominal partner is a partner who lends his name to the firm without having any interest in the management and profit of the business.
4. **Partner in profit only:** Such partner is a partner who shares the profits of the business without making himself responsible for the losses.
5. **Limited partner:** Limited partner is a partner whose liability is limite to the amount he has invested in the firm as capital.
6. **Sub Partner:** When a partner enters into a new agreement to share his profits with an outsides such an outsider is known as partner.
7. **Partner by estoppels of holding out:** It a person represents to the outside world by words spoken or written or by his conduct or by lending his nam, that he is a partner in a certain partnership fir, such person by estoppels or holding out.

Requisites of an ideal partnership:

1. Mutual faith and understanding

2. Common approach
3. Minimum number and mutual confidence
4. Skills and talents of partners
5. Adequate long term capital
6. Long duration
7. Written agreement
8. Registration

REGISTRATION OF PARTNERSHIP

Under the Partnership Act, it is not compulsory for a firm to be registers, but there are certain disabilities to an unregistered from which it desirable, even virtually compulsory, that the firm be registered.

Procedure of Registration

The statement should contain information relating to the following particulars:

(i) The name of the firm
(ii) The principle place of business
(iii) Name of other places where the firm varies on business
(iv) The dates on which various partners joined the firm
(v) The names in the full and addresses of the partners and
(vi) The duration of the firm.

DISSOLUTION OF PARTNERSHIP

According to section 39 of the Indian Partnership Act. 1932, the dissolution of partnership between all the partners of a firm is called the dissolution the firm. Section 48 of the partnership act, 1932 lays down the following procedure for the settlement of accounts between partners after the dissolution of the firm:

1. Losses including deficiencies of capital should be made good
(a) First of profits
(b) Then out of capital
(c) If need be out o personal contributed of partner in their profit sharing rations.
2. The assets of the firm including any sum contributed by partners to make up deficiencies of capital will be applied for setting the debts of the firm, in the following order, subject to any agreement to the contrary.
a) First, in paying of the debts of the firm due to third parties.
b) Then in paying to each partner ratably any advance or loans given by him in addition to or apart from his capital contribution.
c) If any surplus is available after discharging the above liabilities, the capital contributed by the partner may be returned, if possible, in full or otherwise ratably.
d) The surplus, if any, shall be divided among the partner in their profit sharing rations.

MODES OF DISSOLUTION

(A) DISSOLUTION WITHOUT INTERVENTION OF COURT

1. Dissolution by agreement.
2. Dissolution by notice.
3. Dissolution or the happening of certain contingencies.
   i. By the expiry of the term of duration of the firm.
   ii. By the completion of the adventure or task of which the firm was contributed.
   iii. By the death of a partner.
   iv. By the adjudication of a partner as insolvent.

1. Compulsory dissolution:
   a) When all the partner except one become insolvent.
   b) When all the partners become insolvent.

c) When the business becomes illegal.
d) When the number of partners exceeds twenty in case of ordinary business and ten in case of banking business.

(B) DISSOLUTION BY COURT

1. When a partners becomes of unsound mind.
2. When a partner suffer from permanent incapacity and become permanently incapable of performing his duties as a partner.
3. When a partner is guilty of misconduct affecting the business of the rm.
4. When a partner commits willful or persistent breaches of agreement.
5. When a partner has transferred the whole of the interest in the firm to third party.
6. When the business of the firm cannot be carried on except al a loss.
7. When the court is satisfied as to grounds which render it just and equitable to dissolve the firm.