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 – II	Company Organisation: Meaning, Definition, Formation of Private and Public Company, Merits and Demerits, Types of Companies, Cooperative Organisation-Need, Meaning, Significance and its Merits- Demerits. Public Enterprises-Concept, Meaning, Characteristic, Objectives and Significance. Multi National Corporations.(MNC'S) - An Introduction In India.
UNIT – III	Communication- Introductions, Definition, Nature, Objects, Importance of Communication to Manager, Elements of Communication, Feedback, Dimension and Directions of Communication, Means of communication - Verbal Communication, SWOT Analysis.
UNIT – IV	Non-Verbal communication, Body Language, Paralanguage, Sign Language, visual and Audio Communication, Channel of communication, Barriers in Communications. Written Business Communication - Concept, Advantages, Disadvantages, Importance. Need and kinds of business Letters, Essentials of an Effective Business Letter.
UNIT – V	Modern Forms of Communication- Fax, E-mail, Video conferencing, International Communication for Global Business, Group Communication Network.

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

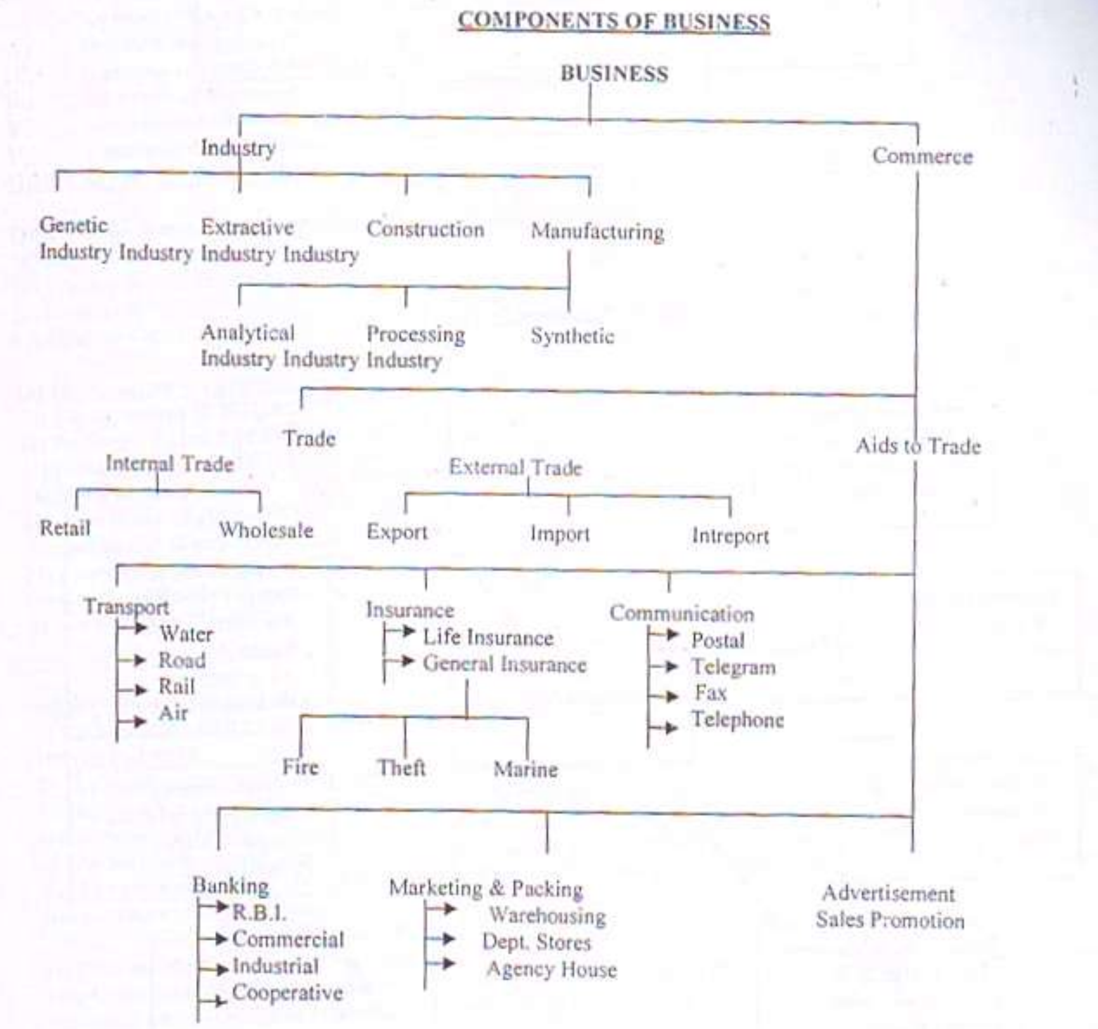
Functions of Business Organization –

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.

UNIT-2

JOINT STOCK COMPANY

Definition & Meaning: - A company is a voluntary association of persons formal and registered under the present company act, or under any previous laws. In the eyes f law. It is an artificial person having separate entity from its members, with perpetual succession and common seal. The capital of the company is divided into transferable shares and shareholders are called members.

Characteristics of Company:-

1. Members/subscribers
2. Artificial person
3. Separate legal entity
4. Perpetual succession
5. Common seal
6. Limited liability
7. Share capital
8. Transferable shares
9. Separate property
10. Capacity to sue & to be sued
11. Limited capacity to contract
12. Management team
13. Existence Independent
14. Statutory obligation
15. Business or property on the name other than its own
16. Registered voluntary association/body corporate

I. On the basis o incorporation or Registration

a. **Chartered Companies:** Most of the early companies were set up through a Royal charter issued by the state o monarch.
b. **Statutory Company:** A statutory company comes into existence by a special act of the parliament or legislature of the nation of the state. Its rights, duties, liabilities, powers objects, scope, etc. are clearly defined in the Act, which brings the company into existence.
c. **Registered Company:** Companies which are registered under the provisions of the Companies Act of the nation concerned are known as "Registered Companies".

II. On the basis f Liability

a. **Companies with Unlimited Liability:** In the case of unlimited liability, a shareholder has
b. to meet the debts of the company even from his private property in the event of winding up of a company.
c. **Company with liability limited by guarantee:** The liability of members in such a company is limited to a specific amount guaranteed by the members. The purpose of such a guarantee is to enable the company to have funds to meet its liability at the winding up of accompany.

d. **Companies with liability limited by shares:** The liability of members in such a company is limited only to the amount of the shares held by them.

III. Companies on the basis of Public Interest

a. Private Limited Company: A private company is one which, by its Articles:
- Limits the number of its members to fifty, excluding past and present employees:
- Restricts the right of the members to transfer the shares; and
- Prohibits the invitation to public to subscribe to the company's shares and debentures

b. Public Limited Company: A public company does not limit the number of members to fifty, it does not restrict the right of members to transfer their shares and finally it does not prohibit invitation to public to subscribe to its shares and debentures.

c. Government Companies: A government company is one in which at least 51% of the paid up capital is held by the Central Government or by any State Government or partly by the Central Government and partly by one or more State Government.

Advantages of Joint Stock Company

a. Large Financial Resources
b. Limited Liability
c. Democratic Management
d. Economies of Large Scale Operations
e. Statutory Regulations
f. Public Confidence
g. Availability of Expert Services
h. Research and Development
i. Tax Concession
j. Bolder Management
k. Contribution to Society
l. Economic Development
m. Social Desirability

Disadvantages of Joint Stock Company

a. Difficult in Formation
b. Bureaucratic Administration
c. Lack of Personal Touch
d. Excessive Government Control
e. Concentration of Economic Power and Wealth
f. Undue or Reckless Speculation in shares
g. Lack of Motivation
h. Delay in Policy Decisions
i. Incapable Management and Fraudulent Tactics
j. No Business Secrecy
k. Conflicts of Interest

Company Formation

- **Promotion**
  - Discovery of ides
  - Assembling
  - Financial Planning
- **Incorporation**
  - Memorandum of Association.
  - Article of Association.
  - List of Directors
  - Address of Registered office
  - Statutory declaration
  - Qualification shares
- **Subscription**
  - Prospectus
    - Preparation
    - Issue of Prospectus
    - Receipt of application
    - Procedure for Allotment
    - Appointment of Bankers, auditors, brokers, Secretary
- **Commencement**
  - Declaration of:-
    - Prospectus has been filled with registrar
    - Minimum subscription has been acquired
    - Directors has purchase qualification share

Memorandum of Association:-

According to section 2 (28) of the Companies Act "memorandum means the memorandum of Association of a company as originally framed or as altered from time to time in purchase of any previous companies law or of this act.

Features

1. Fundamental document
2. Essential for every company
3. Originally framed
4. Limitations for power
5. Unalterable

Contents Memorandum of Association:-

1. Name clause
2. Registered office on place clause
3. Object clause
4. Liability clause
5. Capital clause
6. Association of subscriber clause

Article of Association

Article is the association is the document of a company which contains rules, regulation or laws of company

Content of Articles

1. Share capital and rights attached to different clauses of shares.
2. Adoption of Preliminary contract
3. Calls & lien on shares
4. Redemption, Transfer, forfeiture of share
5. Alteration capital
6. General meetings
7. Appointment & removal of directors
8. Dividend relevance.
9. Accounting related

Prospectus

A prospectus s any document which is described or issued as a prospectus by a company for any or the following purpose.

1. For inviting deposits from the public
2. For inviting offers fro public for purchasing of share and debenture.

Contents of Prospectus

1. Objective of company
2. Information related to share capital
3. Information related to Directors
4. Information related to auditing
5. Remuneration relate to promoters
6. Preliminary expenses
7. Reserve & surplus
8. Auditing

Statement in lieu of Prospectus

1. Condition of filing
2. Contents
3. Delivery to registrar
4. Signature
5. Penalty
6. Liability for untrue statement
7. Void able allotment

CO-OPERATION ORGANIZATION

Meaning:- Co-operation is a form of organization, where in persons voluntary associate together as human being on the basis of equality for the promotion of economic interest of them self.

Characteristics of co-operative organization

1. Association of persons
2. An economic enterprise
3. Voluntary organization
4. Democratic organization
5. Equality of voting rights
6. Co-operative efforts
7. Distribution of profit
8. No transfer of shares
9. Liability
10. Cash Trading

Types of co-operative

1. **Consumers' Co-operative:** A consumer co-operative store ensures supply of consumer services of standard quality to its members, at fair prices. It purchases gods on wholesale basis and sells to its members on retail basis at reasonable prices.
2. **Producers' or Industrial co-operative societies:** Generally, small-scale and cottage industries are set up under the system of co-operative organization. Industrial co-operative is undertake the functions of purchasing and supplying raw materials. Tools and equipment to its members, marketing their finished goods, securing contracts from government, public bodies and other and setting hem executed with the help of members.
3. **Co-operative marketing societies:** Marketing co-operative are established by producers for selling their products at remunerative prices. Modern marketing is a complicated procedure. It involves various marketing functions like standardization, grading, warehousing, branding, packing and packaging, advertising and promotion.
4. **Co-operative housing societies**: Low and middle income group, especially in metropolitan cities, may find it difficult to construct their own houses. Housing co-operative help people to construct their own houses.
5. **Co-operative credit societies:** such societies are formed by socially and economically backward sections of society such as industrial workers, agriculturists, artisans, salary earners, etc. in order to meet their financial demands.
6. **Co-operative farming societies:** Co-operative farming societies are formed by the farmers, who pool their land jointly conduct their agricultural operations.

Important of Co-operative Organization

1. Easy to form
2. Open membership
3. Democratic management
4. Limited Liability
5. Stability and continuity
6. Economic operation
7. Cheaper and better commodities
8. Privileges
9. State patronage
10. Non Economic benefits

Disadvantages:

1. Limited resources
2. Limited size
3. Weak management
4. Non-equitability of selfness workers and leadership
5. Absence of motivation or personal attachment
6. Lack of secrecy
7. Lack of public confidence
8. Non-cooperation among members

Co-operative Organization

Co-operative society may be defined as a voluntary association of persons organized to look after their common interests through manual Co-operation.

According to India Cooperative Societies Act, 1912. A co-operative society is a society which has its objects its promotion of the economic interests of its embers in accordance with co=operative principles.

In sense, it is nothing but self help made effective by organization.

Main Features:

1. Voluntary organization
2. Democratic management
3. Service motive
4. Equal voting right
5. No dividend hunting and fair return on capital
6. Government control
7. Mutual relation (Limited we stand divided we fall)
8. Non Transferability of shares
9. Cash sale
10. Training grounds for mutual solidarity

Advantages of Co-operatives-
1. Easy formation
2. Limited liabilities
3. Perpetual existence
4. Open membership
5. Availability of Government assistance
6. Social service
7. Development of human values
8. Reduction in the cost of marketing
9. Tax advantage
10. Democratic management (one member one vote)

Disadvantages:
1. Lack of secrecy
2. Lack of initiative and incentive
3. Specialized management is not always possible
4. Excessive state participation
5. Lacks business leadership
6. Limited scope
7. Good ground for selfish interest
8. Lack of mutual interest.

Formation of Co-operative:
To get a co-operative society registered there must be at least ten adult persons. These persons will have to submit a joint application for registration to registrar. It contain following information-
1. The name of the society.
2. The aims of objectives
3. Division of share capital
4. Names & addresses of the embers
5. Two copies of the bye-laws
6. Two copies of the rule and regulation of the society.

One receipt of the application, the Registrar will scrutinize it and he will issue a certificate of registration.

Company Organization
Meaning: A joint stock company is a body corporate with a common seal and perpetual succession owned by a large number of persons known as shareholders who contribute to the capital of the company with the right to transfer their individual shareholdings.

In brief, a company can be defined as an artificial person with its independent legal entity.

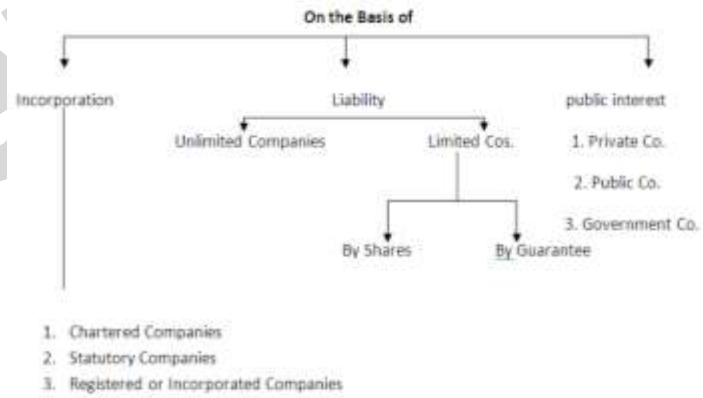
Main features:
1. Artificial legal person

2. Common seal
3. Perpetual succession – continues life & stable existence
4. Distinct legal entity
5. Limited liability
6. Expert management due to separation of ownership from management
7. Transferability of share
8. Large membership
9. Association of persons
10. Wide investment facilities

Advantages:
1. Limited liability
2. Transferability of shares
3. Facilities of large scale production
4. Stimulus to saving
5. Permanent existence
6. Diffused risk
7. Lower tax liability
8. Flexibility in management

Disadvantages:
1. Difficulty in formation
2. Lack of personal interest
3. Lack of secrecy
4. Fraud by promoters
5. Delay in decision making
6. Linhealthy speculation
7. Cumbersome and excessive legal control.

KINDS OF COMPANIES
There are three main bases of company classification and they are as know:
CLASSIFICATION OF COMPANIES



Promotion of a Company
The procedure for the formation of a company may be divided into four principal stages-

(a) **Promotion:** Promotion means discovery of business opportunities and the subsequent organization of funds, property, management ability into a business enterprise for the purpose of making profit there from.
(b) **Incorporation Stage:** After preliminary steps, the following documents are required to submit for the purpose of registration-
   1. Memorandum of Association

2. Article of Association
3. Notice of address of Registered Office
4. Contracts with managing agents, secretary & reassures etc.
5. Consent of the directors.
6. List of directors with their name, address, occupation and age.
7. Statutory declaration

(c) **Capital subscription stage-** A public company having a share capital has to pass through the capital subscription stage before it can commence the business.

(d) **Commencement of Business-** To obtain this certificate a company will have to file following documents with the Registrar-

1. Prospectus or statement in lieu of prospectus
2. Declaration of fulfillment of minimum subscription
3. Declaration of fulfillment of directors of contract to purchase qualification shares.
4. Statutory declaration.

Private and Public Company

Private Company: Under Section 3 (i) (iii) of the Companies Act, a private company has been defined as a company which by its Article of Association.

(a) Restricts the right to transfer the shares, if any,
(b) Limits of numbers of its members to fifty, and
(c) Prohibits any invitation to the public to subscribe for the share or the debenture of the company.

Public Company: Under Section (3) (i) (ii) of the Companies Act, a public company is a company which is not a private company. By implication, a ublic copany is one which places no restrictions by its Articles of Association on the transfer of share or on the maximum number of members can invite the public to subscribe for its shares and debenture and public deposits.

The distinction between a private company and public company has been detailed out in a more orderly manner in Table.

Table Distinctions between a Private Company and a Public Company.

Basis of Difference	Private Company	Public Company
1. Members	The minimum number of is two maximum is fifty.	The minimum number of is seven and there is no maximum limit.
2. Directors	Minimum members of directors needed is two.	Minimum number of directors needed is three.
3. Prospectus	Filling of prospectus or a statement 'in lieu of prospectus with the Registrar of Companies is not necessary before company can allot shares.	Filling of Prospectus of a statement 'in lieu of prospectus' with the Registrar or Companies is necessary.
4. Documents	Two members need to sig the memorandum and articles of association.	Seven members need to sig the documents.
5. Allotment of shares	If may commence allotment of shares before minimum subscription has before minimum subscription has been applied for.	It cannot commence allotment of shares unless minimum subscription has been applied for.
6. Commencement of Business	It can commence business soon after incorporation.	It cannot commence business without obtaining a certificate to that effect.
7. Transfer of Shares	Transfer of shares is restricted by the articles.	Shares are freely transferable.
8. Filing of Balance Sheet	It need not file its balance sheet with the Registrar.	It must file its balance sheet with the Registrar.

9. Statutory Meeting	It need not hold the statutory meeting not it is necessary for it to forward the statutory report to the Registrar.	It must hold a statutory meeting and forward the same the Registrar.
10. Directors	No provision of the Companies Act regarding appointment of directors, their consent to act or to pay for qualification shares apply to them.	These provisions apply to at least three directors of a public company.

Privileges of a Private Company

In spite of certain restrictions imposed on a private company, it enjoys certain privileges under the Companies Act. That is why a substantial number of entrepreneurs prefer to form a private company. Following are the important privileges granted to a private company:

(i) For farming a private company, only two members are required.
(ii) A private Company is required to have only two directors
(iii) Such company is not required to file prospectus or a statement in lieu of prospectus with the Registrar of Companies.
(iv) It can commence its business immediately after incorporation.
(v) It is also not required to hold a statutory meeting nor it is required to file aq statutory report.
(vi) The directors of a private company are not required to give their consent to act or to take up their qualification share prior to their appointment.
(vii) A non member cannot inspect the copies of the Profit & Loss A/c files with Registrar of Companies.
(viii) Limit on payment of maximum managerial remuneration does not apply to a private company.
(ix) Restriction on appointment and reappointment of managing directory does nor apply to such company.
(x) A private company is not required to a maintain an index of its membership.

Public Enterprises

Meaning

A public enterprise may be defined as an enterprise which may be (i) owned by the state, (ii) managed by the state or (iii) owned and managed by the state.

Characteristics of Public Enterprise

1. State Ownership: Wholly owned by the Central Govt. or a state Govt. or local authority or two or more of them.
2. State Control: The state retains the ultimate management and control of public enterprises so far as the appointment of personnel are concerned.
3. Service Motive: Generally run with a service motive.
4. Governing Financing: The financial needs are met by the Govt. through appropriation from the budget.
5. Public Accountability: Public enterprises are accountable for their performance to the public at large.

Need of Public enterprises:

1. Need for planned economy.
2. Balanced regional development
3. Generation of employment opportunities
4. Need for sound industrial base.
5. Equitable distribution of national income.
6. Generation of surplus for economic growth.
7. Provision of infrastructural facilities.

Advantages:

1. Growth o key and heavy industries (e.g. Steel Industry)
2. Avoidance of uncertainty
3. Greater, better and cheaper products
4. Helps in preservation of national wealth
5. Encourages the industrial growth of under developed countries.
6. No exploitation of labour, capital or management.
7. Planned progress.
8. Prevents the concentration of wealth
9. Helps in the social and economic welfare by keeping the public utility concerns out of the clutches of the private sector.

Disadvantage

1. Cheaper, better and cheaper production is a myth
2. Top heavy administration expenses.
3. Nepotism and favoritism (reference to relative of legislators and officials in appointment)
4. Delay in decision.

Objective of Public Enterprise

1. To promote rapid economic development.
2. To provide basic infrastructure facilities
3. To reduce disparities in income.
4. To have balanced regional development and dispersal of economic activity.
5. To avoid concentration of economic power in a few hands.
6. To have social control and regulation of long term finance.
7. To create employment opportunities on an increasing scale.
8. To increase exports and earn foreign exchange.
9. To have control over sensitive areas.

Importance

1. Creation of the social basic facilities for balanced economic growth.
2. Speed up the pace of industrialization.
3. Remove regional economic imbalances by the industrialization of backward areas.
4. Have equitable and just distribution of wealth.
5. Increase job opportunities.
6. Nationalize sick mills
7. Solve the problem of unemployment
8. Encourage private sector to supplement the economic growth of the country.

Forms of Management of State Enterprise

I Management through private agency:

Features: enterprise is owned by the Govt. but its management is entrusted in the hands o some private agencies.

Merits

1. Such form of Public enterprise is suitable for under developed countries.
2. This may be adopted in countries where the state has no experience of running industrial enterprise.

Demerits

1. The private agency continues to dominate.
2. Difficult to interfere in the day to day working of the private agency.
3. It is difficult to assess whether the private agency is functioning efficiently and economically.

4. Govt. relinquishes the power of administering the policies of the concern.

II Departmental Management

Features

1. The department is subject to direct ministerial control.
2. It is entirely financed by the treasury.
3. It is subject t budget, accounting and audit control.
4. Department is attached to a particular ministry.
5. The employees are all state employees.
6. Its income is paid into the treasury.

Merits

1. Effective control is there.
2. Employees would be more loyal and responsible to the government.
3. The risk of misuse of public money is relatively less.
4. Govt. revenue is likely to increase
5. It can maintain absolute secrecy.

Demerits:

1. Suppers from the evils of bureaucracy, red tapism, absence of initiative etc.
2. Due to absence of competition and profit motive, losses are not taken seriously.
3. Frequent changes of policy affect adversely the smooth working of enterprise.
4. Risk taking, initiative and bold approach is missing in such organization.
5. No incentive to maximize its earnings due to no powers to utilize its revenues.

III Government Company From Management

Features

1. A Govt. company is incorporated under the companies act 1956.
2. Except nominal share capital, entire share capital is owned by the Govt. of India.
3. Govt. company is subject to ministerial control.
4. Govt. has the authority to appoint majority of the directors.
5. The comptroller and auditor General of India advises the appointment of the companies auditor.
6. Annual reports are to be laid before both the houses of parliament.

Merits:

1. There is no complex and politically difficult apparatus of special Registration.
2. It is a flexible form and run like a private enterprise in regard to finance, operation and taxation.
3. There is no under departmental interference.
4. It is the chicest compromise between the departmental form and public corporation.

Demerits:

1. The democratic character of management becomes a more fiction or myth because Govt. is the major shareholders.
2. Ministerial interference is found to be frequent.
3. Lack of imitativeness.
4. Parliament has no effective control, only annual audit reports are discussed here.
5. The autonomy is vitiated by the executive order of the Govt. issued without reference to the parliament.

IV Public Corporation from of Management

Features

1. It is an autonomous body created by a special act of the parliament.
2. Directors are nominated by the Govt.
3. It enjoys administrative autonomy and financial autonomy also.
4. Public accountability is important feature of his form.
5. The capital is mostly provided by the central or the state Government.

Merits

1. Public corporation. Enjoy administrative and financial autonomy.
2. There is adequate flexibility AND INITIATIVE.
3. IT CAN EMPLOY TRAINED AND EXPERT MANAGERS.
4. Accountability of parliament that the corporation is not managed against the public interests.
5. The interests of the consumers are protected due to the service motive.

Demerits

1. Autonomy is mere myth, in practice, the minister, government officers very often interfere.
2. Due to big in size they create problems of management.
3. Amendment can be done only by parliament, it gives rigidity.
4. Public accountability is a great problem associated with public corporation.

MULTINATIONAL CORPORATION AND TRADE

MULTINATIONAL CORPORATIONS

Multinationals companies (MNCs) are the organizations or enterprises that manage production or offer services in more than one country.

INTERNATIONAL TRADE

International trade is exchange of capital, goods and services across international borders or territories.

EVOLUTION

- Since times immemorial.
- Unexpected expansion after World War II.
- The post 1990s has given greater fillip to international trade.
- The MNCs which were producing the products in their home countries and marketing them and various foreign countries before 1980s, started located their plants other manufacturing facilities in foreign/host countries.

ADVANTAGES OF MNCs

- Promotes economic growth
- Provide slower-period, higher-quality goods to consumers
- Brings capital
- Transfer technology: including organizational, management and marketing skills
- Pay higher wages (increase productivity)
- Introduces competition to domestic firms

DISADVANTAGES OF MNCs

- Foreign business can destroy local businesses
- The finance brought into a country by an MNC may be badly managed by that country's government.
- Avoidance of taxes by manipulating prices.
- Market power-After firms driven out can exert market power and increase prices, create barriers to entry

IMPORTANT FACTS

- 500largest MNCS control over ½ of global trade flows and 1/5 of global GDP.
- 90% of world's 500largest MNCs are in North America, Japan and Europe.
- More than 40% of the total exports of China is done by MNCs affiliates.
- BP (British Petroleum) operates in more than 100 countries.

- Marks & Spencer source its gods from more than 70 countries.

WHY GO INTERNATIONAL?

- Expanding the production Capacities beyond the Demand of the Domestic Country.
- Serve Competition in the Home country.
- Limited Home Market.
- Nearness to Raw materials.
- Availability of Quality Human Resources at Low Cost.
- To Increase Market Share.

FOREIGN GLOBAL 500 (2010) HOW COMPANIES STACK UP

- UNITED STATES 139
- JAPAN 71
- CHINA 64
- FRANCE 39
- INDIA 8
- The largest component of the annual $2.5 trillion trade in international services is travel and tourism.

IMPORTANCE OF MNCs IN INDIA

- Huge market potential of the country
- FDI attractiveness
- Labor competitiveness
- Macro-economic stability

WHAT INDIA OFFERS

- Billion plus population
- India ranked 10th largest economy, 4th largest in terms of purchasing power parity
- 250-300 million middle class
- Gross domestic product (GDP) growing at over 8-9%, makes it one of the fastest growing economies in the world
- Easier access to capital

MNCs IN INDIA

- Since the economic liberalization ushered in 1991, many multinationals in different lines of business shave entered the Indian market.
- The scenario for 'MNC in India' has changed a lot in recent years, since more and more firms from European Union like Britain, Italy, France, Germany, Netherlands, Finland, Belgium etc. have outsourced their work to India.
- Finnish mobile handset manufacturing giant Nokia has the second largest base in India.
- India is perceived to be at par with China in terms of FDI attractiveness by 'Multinational Companies in India'.