



# SYLLABUS

## B.Com. I YEAR

### Subject – Business Organization and Communication

UNIT – I	<b>INTRODUCTION:</b> Indian traditional businesses and their organizational structures. Concepts of Business, Trade, Industry and Commerce Classification Relationship between Trade, Industry and Commerce - Business. Organization- Concept, Characteristics, Importance and Objectives. Functions of Business and Social Responsibility of a business- Steps to Start an Enterprise.
UNIT – II	<b>FORMS OF BUSINESS ORGANIZATION:</b> Business Organization Classification - Factors Influencing the Choice of Suitable Form of Organization - Sole Proprietorship and Partnership - Meaning, Definition - Characteristics - Advantages. Co-Operative Organization- Meaning- Functions and Limitations of Co-operatives Societies.
UNIT – III	<b>ORGANIZATION OF COMPANIES:</b> Concepts, Meaning, Formation, Characteristics and Significance of Private Company and Public Company. Multinational Companies (MNC'S) and the Challenges of their organization in India.
UNIT – IV	<b>COMMUNICATION:</b> Definition, Nature, Importance, Objectives of Communication. Communication theories and process- Information theory, Interaction theory, Transaction theory, Elements of communication process. Barriers to Communication: Linguistic Barriers, Psychological Barriers, Interpersonal Barriers, Cultural Barriers, Physical Barriers, Organizational Barriers.
UNIT – V	<b>Written Communication:</b> Writing technique and Guidelines. Letter writing - Basic Principles, Purpose, Types of business letters, Report writing, types of reports, Drafting of report. Oral Communication: Speeches for different occasions, Guidelines for effective listening, Job Interviews, Type of information.
UNIT – VI	Modern forms of communication E-mail, Video Conferencing. International Communication for Global Business. Information Technology: Form of technology, uses in modern communication system. Role of Social Media in modern business.



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UNIT – I**

## **Business –**

**Business** is the activity of making one's living or making money by producing or buying and selling products (such as goods and services) Simply put, it is "any activity or enterprise entered into for profit.

Having a business name does not separate the business entity from the owner, which means that the owner of the business is responsible and liable for debts incurred by the business. If the business acquires debts, the creditors can go after the owner's personal possessions. A business structure does not allow for corporate tax rates. The proprietor is personally taxed on all income from the business.

The etymology of "business" relates to the state of being busy either as an individual or society as a whole, doing commercially viable and profitable work. It is a generic term which comprises of all primary and ancillary activities which are involved in the production and distribution of goods and services. It is a relative term, which has different interpretations for different categories of people. For an economist, it is an activity concerned with the creation of form utility, place utility and time utility. For an ambitious youth, it is an attractive career for accepting new challenges and earning attractive income through profit. For an average consumer, it is a supplier of goods and services required in his daily life. For government, it is one of the important sources of revenue. An environmentalist views it as a potential source of pollution and ecological imbalance. In brief, business is a sum total of activities concerned with production and distribution of goods and services for satisfying the needs of society and also for raising social welfare.

According to F. C. Hooper, business includes the whole complex field of commerce and Industry. Accordingly, business activities can be broadly categorised into the following four categories:

**(a) Activities related to the Production of Goods:** This group includes different kinds of industries such as genetic industries, extractive industries, manufacturing industries, constructive industries and service industries. **(b) Activities related to the Distribution of Goods:** This group comprises of physical distribution system that includes transportation, storage and warehousing and marketing intermediaries like wholesalers and retailers.

**(c) Activities related to the Provision of Services:** This group includes various service providers such as insurance companies, advertising agencies, marketing research organisations and consultants.

**(d) Activities related to the Provision of Finance:** This group includes various financial intermediaries such as banks, financial institutions, industrial financial institutions, state financial corporations and stock exchanges.

## **1.7 Characteristics of Business:**

The broad characteristics of business are as under:

**(a) Transfer of Ownership:** Exchange is the essence of any business activity. Business facilitates transfer of ownership of goods from producers to consumers for money or money's worth. Business houses provide satisfaction to consumers through the provision of form utility, place utility and time utility under the incentive of private profit.

**(b) Scope of Activities Business includes trade and aids to trade.** Trade is that branch of commerce, which is concerned, with the exchange of goods and services while aids-to-trade are service-oriented industries,



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which directly or indirectly help in smooth conduct of business operations. For example, transportation, warehousing, Insurance, advertising and banking.

**(c) Profit Motive:** Profit is essential for the very survival of business units. The varieties of goals of business units such as survival, growth, expansion, social welfare, welfare of workers, etc., cannot be achieved unless the unit is economically viable. A loss making unit is least capable of fetching any asset to the society and therefore, would be closed down by the society itself.

**(d) Continuous and Recurring:** The activities of a business enterprise are recurring in nature. One or two transactions do not constitute business. A seller must have adequate stock of goods or capacity to serve society as per demand. For example, if a person sells his old motor car and earns some profit thereon, it does not constitute a business.

**(e) Economic Institution:** Business is an economic institution. All business activities are guided by a desire to earn profit. Business houses undertake market research in order to forecast market demand and accordingly adjust supply with the prime objective of generating profit and wealth. In this sense, a business unit is an economic institution.

**(f) Social Institution:** Due to rapidly changing socio-economic environment, the concept of social responsibilities of business has gained immense importance. Business cannot ignore social needs as it is a part of society in the sense that it carried on by the people (entrepreneurs), through the people (executives and workers) and for the people (consumers and the society at large).

**(g) Ethical and Lawful:** The purpose of business must be ethical and should be recognised by law. It should not violate the basic norms or fundamental principles, governing the social life of people in the country. For example, smuggling is unlawful and therefore, cannot be considered as a business. Similarly, selling beef or beef based products is ethically prohibited in India.

**(h) Risk and Uncertainty:** Business involves high degree of risks and uncertainties. Profit is the reward for bearing risks and uncertainties. Risks due to fire, theft, pilferage, etc., are insurable risks. However, uncertainties such as fluctuations in price level, changes in fashion, changes in government policy or the government itself, etc. cannot be insured.

**(i) Creative and Dynamic:** Business houses are surrounded by a large number of complex exogenous factors such as social, economic, technological, regulatory and environmental. These factors keep on changing and business units have to adjust accordingly. Hence, business units are expected to be creative and dynamic in order to adapt the changing business environment.

**(ii) Global Business:** Globalisation has become a subject of very serious discussion in the national economic policies and corporate sector. Globalisation implies greater integration of the nation's economy with the world economy. This can be achieved through liberalisation of rules and regulations and creating favourable business environment for global business.

### Characteristics of Business:

- |                            |                         |
|----------------------------|-------------------------|
| ✓ Transfer of Ownership.   | ✓ Social Institution.   |
| ✓ Scope of Activities.     | ✓ Ethical and Lawful.   |
| ✓ Profit Motive.           | ✓ Risk and Uncertainty. |
| ✓ Continuous and Recurring | ✓ Creative and Dynamic. |
| ✓ Economic Institution.    | ✓ Global Business:      |

### Features or characteristics of business:

- 1) Activity of Human Beings



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- 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.



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

### **Functions of Business Organization -**

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

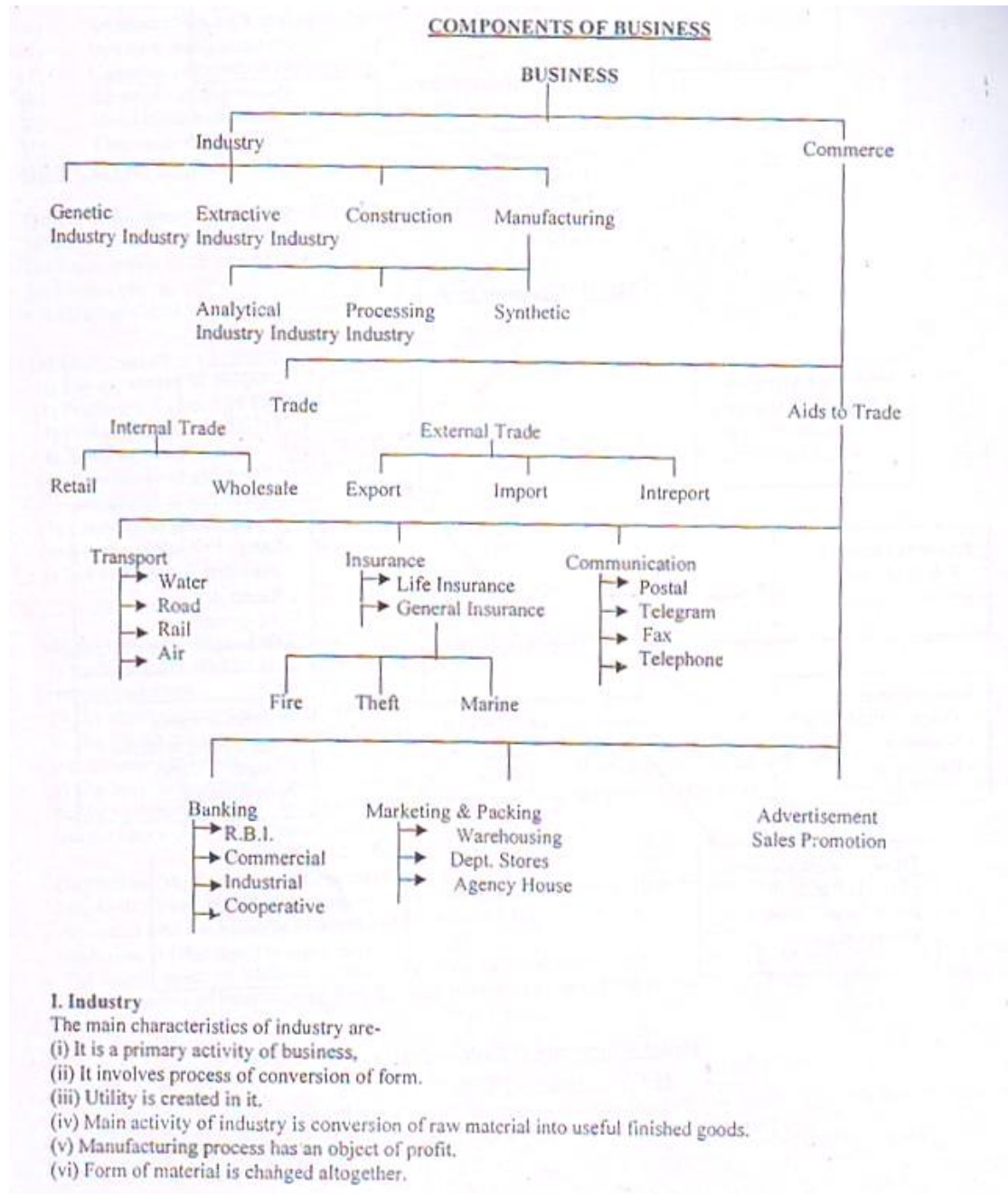
### **Significance of Business Organization -**

- 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 –





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### 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.



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- (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

**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



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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 view 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 jointly

#### **Characteristics of Partnership:**

1. Formation (two or more persons)
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 entity

#### **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 from 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 venture for 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 actively 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 and 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 limited 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 outsider such an outsider is known as partner.
7. **Partner by estoppel or holding out:** If a person represents to the outside world by words spoken or written or by his conduct or by lending his name, that he is a partner in a certain partnership firm, such person is estopped 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.



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3. When a partner is guilty of misconduct affecting the business of the firm.
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 at a loss.
7. When the court is satisfied as to grounds which render it just and equitable to dissolve the firm.

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