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  - CA Intermediate- Financial Mgt & Strategic Mgt
- 4+ years of teaching experience
- Passionate about teaching, started teaching at a young age
- Known for making difficult concepts easy by innovative examples, charts, summary & tricks
- Taught thousands of students on various online platforms in a short span of time
- Author of Best selling Books on Economics, BCK, FM





# CA Foundation – Dec 2023

Business & Commercial Knowledge (BCK)

Updated for Dec 2023

## Last Minute Summary

By CA Mohnish Vora (MVSIR)

Covers all IMP Points of  
whole BCK subject in just

28 Pages



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## BCK Chapter 1 - BCK An Introduction

- ❖ **BCK** comprises of an array [range] of activities related to
  - **production** [manufacturing],
  - **distribution** [commerce] and
  - **exchange** [buying and selling]
  - of goods and services.
- ❖ **Domains / Features of BCK** - [Domain in simpler terms means "SUBJECT"]
  - **BCK is Vast** - BCK comprises a range of business activities. We can buy goods from local shop, or through mall, or from an online marketplace etc.
  - **BCK is Eclectic** [Multi-disciplinary] - Marketing, Finance, Operations, Law etc. all together derive BCK. It adapts vocabulary of other subjects like-
    - ❑ **Military** - Strategy & Logistics [Inbound - Movement of inputs ; Outbound - Movement of output]
    - ❑ **Biology** - Bulls & Bear
  - **BCK is Ever Evolving and Expanding** - Day by day there is emergence of new businesses [expanding] and newer ways of doing the businesses [evolving] due to the help of technology. New terms introduced like- 24X7, B2B, B2C, BPO etc.
- ❖ Various concerns related to business are Survival, Profitability, Growth, Sustainability etc.
- ❖ **Stakeholders** are persons who have an interest in a company. Eg- Entrepreneurs, Customers, Investors, Shareholders, Employees, Suppliers, Society etc.  
COMPETITORS are not stakeholders.
- ❖ **Type of Human Activities**-
  - **Economic Activity** - Carried out for livelihood motive [earn a living], driven by rationality & done for self-interest
  - **Non - Economic Activity** - Carried out voluntarily out of love & affection, driven by emotional or sentimental reasons or altruism [self-less concern]. Even non-economic activities have an economic dimension e.g. time, money & resources are also required for them like for economic activities.
- ❖ **Distinguishing Characteristics of Economic Activities**-
  - **Economic activities are income generating** -
    - ❑ **Earned Income** - Income earned by rendering personal time, physical [sweat] & psychic energy [intellect]
    - ❑ **Property Income** - Income earned by letting out one's property  
Income may be earned in kind too [Spent pe dena]
  - **Economic activities are productive** - Through economic activities we produce want satisfying goods & services and earn income out of it.
  - **Even Consumption is an economic activity** - **Production** represents the supply side & **consumption** represents the demand side. Production is organised in response to demand
  - **Savings, Investment and Wealth** - Because of economic activity → people earn income → unspent income is savings → financial sector - banks, stock markets, etc. are channels through which savings are mobilized. Entrepreneurs & govt. borrow these savings and invest in their business to buy capital goods [called as doing investment] thereby creating wealth for them in future.



- ❖ **INDUSTRY** is a economic activity concerned with **processing of raw materials & manufacture of goods in factories**. Industry may also mean as **group of companies in similar type of business**. Eg- telecom industry etc.
- ❖ Regular **agriculture** is considered as **business activity**. However, activities where **agri produce is processed in factories** are considered as **industry**. [agro-based industries]
- ❖ Market oriented production represents **supply side** of economics. The **shift** from **subsistence driven production toward market driven production** as **Commercialisation of production** or production on a **Commercial scale**
- ❖ Business is **one's usual occupation** of creating, owning & operating an organisation. **Infrequent, isolated transactions** even if might result in profit or loss, **cannot** be called business.

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Basis of Distinction	Business	Profession	Employment
Meaning	Entire spectrum of market oriented activities coming under <b>industry, trade and commerce</b>	Independent <b>rendering of services of specialized nature</b> based on <b>prescribed qualifications</b> as per a <b>professional body</b> that also prescribes a <b>code of conduct</b> .	Rendering of services under a <b>contract of employment</b> for wages / salaries. Also, called wage-employment.
Mode of establishment	Entrepreneur's decision and other legal formalities, if Necessary	Membership of a professional body and certificate of practice	Letter of Appointment or service agreement
Source of livelihood	<b>Profit</b>	<b>Fees</b>	<b>Wages &amp; salary</b>
Prescribed Qualification	<b>Not reqd.</b>	Strictly prescribed	Minimum qualifications for each type of job
Ethical guidance	Founder's values	Professional codes	Employer's codes
Investment	Substantial requirement	Some requirement e.g. Office/ Chamber /Clinic	None
Personal autonomy	The most- you are your own boss	Quite a bit	Not much
Motive	Economic Achievement	Service to the clients/ Society	Livelihood
Certainty of income	<b>Least certainty</b>	Quite a bit	The most. Contractually determined.
Stability of tenure	<b>Least certain</b>	Quite certain	Quite certain
Succession	Possible	Not possible	Not possible

- ❖ Statement that **distinguishes businessman from entrepreneurs**  
**"Entrepreneurs** seek out **new opportunities** and pursue **innovative business ideas**"
- ❖ **Characteristics of Business**
  - 1) Job **creator**, **not job seeker** – Business creates job opportunities for others
  - 2) Provides momentum to economic growth –
    - **Economic Growth** is **persistent increase in a country's Gross Domestic Product [GDP]**.
    - **Economic Development** implies **diversification of an economy's capabilities & improvement in the quality of lives** of its people.
  - 3) Investment **Intensive** – Relatively **huge amount of funds** are required to start a business.
  - 4) **Gestation and uncertainties** – Investment in business **takes time to fructify**. And it is uncertain whether it will yield the returns as expected. Risk can be calculated in advance, uncertainty cannot.
  - 5) Business is a **systematic, organized & efficiency oriented** activity
  - 6) **Objective oriented / purposeful** – Sustainable development of business can happen only when it simultaneously pursues – **profitability, people well-being and planet sustainability**.

- ❖ **Business & society are INTER-dependent** – Business gets factors of production from society and is dependent on it for sale of its goods.

- ❖ The **performance of business** in private sector is **measured** by **PROFITABILITY**

### ❖ Objectives of Business

Economic Objectives	Organic Objectives	Social Responsibility	Legal, Ethical & Environmental Objectives
Sales, Profit, Returns, Efficiency, Economic Value Added [EVA] etc	Survival, Growth, Health [Age of assets, fitness of human resource] etc	Community service, donation, charity, heritage conservation	Respect for law in letter & spirit, Transparency, Honesty, Integrity, Green Technology, Waste handling, preservation of air water & soil etc.

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### Forms of Business Organisations

#### I. Sole Proprietorship

- ❖ A business organization which is **started & owned by a single person** using his **own funds [personal savings]**. It is **easiest and the earliest form** of business
- ❖ Aka. **One-Person Band, Economic Hero, Autonomous individual** [one's own boss]

Merits	Limitation [Demerits]
<ul style="list-style-type: none"> <li>➤ Autonomy [One's own boss]</li> <li>➤ Visibility of owners &amp; personalized services</li> <li>➤ Succession of ownership - possible</li> </ul>	<ul style="list-style-type: none"> <li>➤ Sole provider of capital [limits growth]</li> <li>➤ Sole bearer of risk</li> <li>➤ <b>Unlimited Liability</b> [If liability more than assets, then owner's personal asset can be invoked]</li> <li>➤ Fate as a going concern [dependent on personal life &amp; health of sole owner]</li> </ul>

II. Hindu Undivided Family [HUF]

- HUF is **formed automatically** by members of common ancestry [family] including their wives and daughters.
- Members of HUF → ~~10-partners~~ **Senior most male/female** member – KARTA of HUF.
- A HUF enjoys a **separate entity** status under INCOME TAX Act. →
- But HUF **cannot** earn income from salary
- Grandfather, Father and Grandchildren → 3 **successive generations** of an undivided family is HUF.
- The word Hindu includes Buddhist, Jain, Parsi and Sikh families as well. [does **NOT** include Muslims]
- Relevant law → Hindu Succession Act, 1956

Merits	Limitation [Demerits]
<ul style="list-style-type: none"> <li>Formed by <u>birth</u> in a Hindu [Buddhist, Jain and Sikh] family</li> <li>Family pool of resources [more people to contribute to capital]</li> <li>Social capital family involvement [instant trust among family members]</li> <li>Decision making is quick</li> <li>Succession of ownership [only to family member]</li> </ul>	<ul style="list-style-type: none"> <li>Family members are automatic co-owners by birth [frustrating for outsiders- <u>hired managers</u>]</li> <li>Unlimited liability of the <u>Karta</u> only</li> <li>Fate as a going concern [Do not last beyond 3<sup>rd</sup> generation]</li> </ul>

III. Partnership

- It is an association **between** 2 or more persons → Natural persons [humans] or Artificial persons [Co., LLP etc.]
  - Partnership firm **not** considered as "person" → Thus, 2 or more firms **cannot form a new partnership firm.**
- Started through an **agreement** [Partnership Deed – oral or written] to share all profits & losses
- Organised to carry on business [cannot be formed for non-business purpose]
- May or may not be registered [not mandatory] with Registrar of Firms [ROF] under Indian Partnership Act, 1932.

IV. Limited Liability Partnership [LLP]

- Two major limitations of Partnership are-
  - Unlimited liability of partners, & } In order to resolve these, the concept of
  - Fate as a going concern. } LLP was introduced as per LLP Act 2008.
- LLP is a hybrid form or organisation having some **features of both** → partnership & company
- Incorporation** of LLP is mandatory → Registrar of Companies [ROC] working under MCA. Upon incorporation, LLP is considered as a separate legal entity

Basis	Traditional Partnership Firm		LLP
Maximum no. of partners	<u>New Limit</u> Any business → <b>50</b>	<del>Old Limit</del> Banking firm → 10 Other firm → 20	Unlimited partners allowed [No limit]
Liability of partners	Unlimited liability [demerit]		Limited liability
Fate as a going concern	If one partner leaves or dies, partnership deed will no longer be valid [demerit]		If one partner leaves or dies, LLP will not be affected [separate legal entity]
Statutory compliances	Not many compliances		Many laws to be followed [Demerit]
Mutual Agency	Exists → Every partner is agent of firm & other partners also		Does not exist → Every partner is agent of firm itself

## V. Company

- ❖ Company is a **body corporate** having-
  - **separate legal existence** from its members
  - **Distinct identification number** [CIN]
  - **Distinct Name**
  - **Registered office**
- ❖ **All type of companies** in India are **incorporated as per** the **Companies Act, 2013**.
  - **Public co.** → Equity shares are listed on stock market
  - **Private co.** [closely-held co.] → Equity shares are **NOT listed** on stock market
  - **Small co.**
  - **One Person Co. [OPC]** → **Sole Proprietor + Company** → most recently introduced concept in Co. Act 2013
  - **Dormant Co.** → created for future projects or for **holding an asset or intellectual property**, it has no significant accounting transactions.
  - **Defunct Co.** → has no asset & no liability → **failed to commence business within 1 year** of incorporation
- ❖ While incorporation with ROC, a company must file 2 documents-
  - **Memorandum of Association [MOA]** → **Objectives** of company and has **6 clauses**.
  - **Articles of Association [AOA]** → Contains company's **internal rules & regulation**

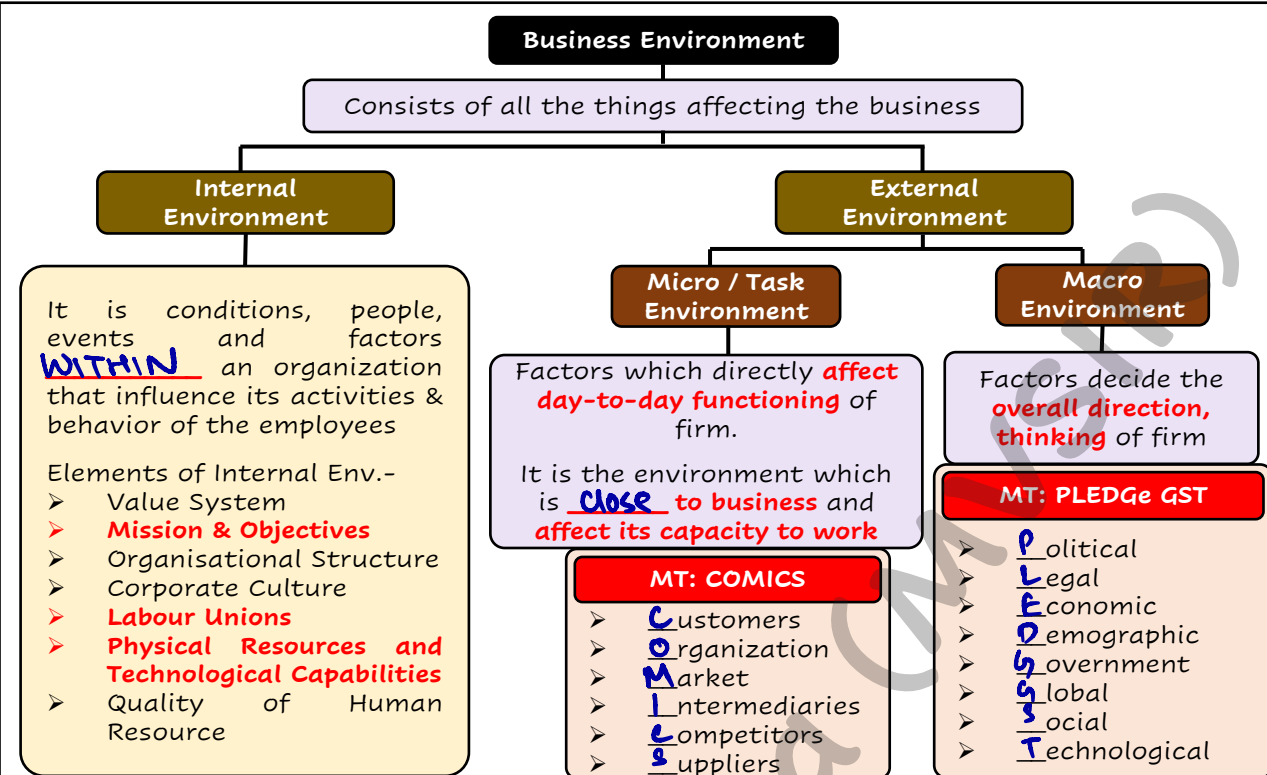
Basis	Private Company	Public Company
Control over mgt.	Owners have <u>greater control</u>	Owners have <u>less control</u>
Transfer of shares	<u>Restrictions</u> on transfer of shares	<u>Shares are freely tradable</u> on stock exchange via listing
No. of Members	Min: <u>2</u> ; Max: <u>200</u>	Min: <u>7</u> ; Max: <u>Unlimited</u>
Minimum no. of directors	<u>2</u>	<u>3</u>
Cost of compliance	<u>Less</u>	More [Thus, in recent news there is trend of privatization → converting public co. to private co. → to save cost of compliance]
Forming of committees	Exempted [Not required]	Some public cos. are required to form committees like- Audit Committee, Stakeholder Relationship Committee etc.
When can the co. start business ?	After obtaining <u>Certificate of Incorporation [COI]</u>	<u>COI &amp; Certificate of Commencement of Business</u> both are required.



## BCK Chapter 2 – Business Environment

- ❖ Business **does not** function in an **isolated vacuum**.
- ❖ Business environment represents **all external or internal factors** that exert some degree of **impact on the business decisions**, strategies and actions taken by the firm.
- ❖ The basic challenge for any business is survival. And to **survive for a long term**, a company must have **two capabilities**: ability to **prosper** & ability to **change**.
- ❖ A successful business has to **identify, appraise, and respond** to the various **opportunities** and **threats** in its environments.
- ❖ Business must continuously **monitor & adapt** itself to the environment if it is to **survive and prosper**.
- ❖ **Characteristic of Business Environment** [ MT: MIDC ]
  - 1) **Multi-faceted** - A **change** environment may be **viewed differently** by different **observers**. Eg- "**Atmanirbhar Bharat**" initiative is opportunity for India's domestic cos., but threat for global cos.
  - 2) **Far Reaching Impact** - **Growth & profitability** of business is **deeply impacted** by changing environment. Eg- Aditya Birla Group has moved from textile to cement to retail etc due to changing env.
  - 3) **Dynamic** - Environment is **constantly changing** in nature.  
**Single word** that can best **describe today's business** is **CHANGE**
  - 4) **Complex** - **Difficult** to understand in parts, but **easy** to grasp in totality
- ❖ **Importance of Business Environment**
  - 1) Determining Opportunities and Threats
  - 2) Giving Direction for Growth
  - 3) Continuous Learning
  - 4) Image Building
  - 5) Meeting Competition
- ❖ **Relationship between Organization & its Environment**
  - 1) Exchange of information - [Any **data having commercial importance** is **information**]
  - 2) Exchange of resources- **5 M's - Men, Money, Method, Machine, Material.**  
**Interaction process**—perceiving needs of external environment and catering to them, satisfying the expectations and demands of the clientele groups
  - 1) Exchange of influence and power
- ❖ **Environmental influences on business** - As per **Barry M. Richman & Melvyn Copen** "Environment factors are **largely if not totally** external & beyond control of individual organization and their managements."

Environmental Analysis	Environmental Scanning
<ul style="list-style-type: none"> <li>➤ Helps to <b>anticipate opportunities &amp; threats</b></li> <li>➤ Provides <b>inputs for strategic dec. making</b></li> <li>➤ Provides understanding of current &amp; potential changes</li> <li>➤ Facilitate &amp; foster strategic thinking.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Monitor environment to <b>identify EXISTING opportunities &amp; threats</b> for purpose of <b>taking strategic decisions</b>.</li> </ul> <p>Factors to be considered for environmental scanning</p> <ol style="list-style-type: none"> <li>1) <b>Events</b> - <b>Certain happening</b> in environment → observed &amp; tracked.</li> <li>2) <b>Trends</b> - <b>Grouping of similar events</b> that tend to move in a direction, suggests a <b>pattern of change</b> [Eg- Oily to healthy food]</li> <li>3) <b>Issues</b> - Current <b>concerns</b> in response to events &amp; trends</li> <li>4) <b>Expectations</b> - <b>Demands</b> made by interested groups</li> </ol>



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Element of Micro Env.*	Important MCQ Points
<b>Customers</b>	<ul style="list-style-type: none"> <li>➤ <b>Customers</b> → people who <u>actually pay</u> to buy products.</li> <li>➤ <b>Customers may or may not</b> be a <b>consumer</b>. <b>Consumer</b> is the one who <u>actually consumes</u> or uses the product. Eg- A father may buy a product as customer for his daughter who will be consumer.</li> <li>➤ According to <b>Peter Drucker</b> the aim of business is to <b>create and retain customer</b>.</li> <li>➤ <u>Consumer</u> occupies <b>central position in marketing environment</b>.</li> </ul>
<b>Organization</b>	<ul style="list-style-type: none"> <li>➤ <u>Non-specific</u> elements of organization's surroundings are- <b>Owners, Board of Directors &amp; Employees</b></li> </ul>
<b>Markets</b>	<ul style="list-style-type: none"> <li>➤ Market is <u>larger</u> than customers.</li> <li>➤ <u>Price sensitivity</u> of is to be analyzed for the whole market.</li> </ul>
<b>Intermediaries</b>	<ul style="list-style-type: none"> <li>➤ E.g. <b>X-Mart</b> stocks goods from various sellers in its huge store &amp; charges money to sell products.</li> </ul>
<b>Competitors</b>	<ul style="list-style-type: none"> <li>➤ Other business entities that compete for <u>resources</u> as well as <u>markets</u>.</li> <li>➤ <u>Direct</u> competition – between org. in <b>same business</b>. Eg- Coca-Cola and Pepsi etc</li> <li>➤ <u>Indirect</u> competition – <b>different business</b> but <b>target same customer</b>. Eg- holiday resort &amp; car company</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>➤ <u>Suppliers</u> with their <b>own bargaining power</b> affect <b>cost structure</b> of industry.</li> </ul>

Element of Macro Env.	Important MCQ Points
<b>Political</b>	➤ Political pressure groups <b>influence and limit organizations</b>
<b>Legal</b>	<ul style="list-style-type: none"> <li>➤ Businesses prefer to operate in a country where there is a <b>sound legal system</b>.</li> <li>➤ They must have a good <u>working</u> <b>knowledge</b> of the major laws affecting them</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>➤ Economic environment refers to the <u>nature &amp; direction of economy</u> in which a company competes or may compete.</li> <li>➤ <b>Four important economic roles</b> played by the <b>government in a mixed economy</b> viz. <u>planning</u> role, <u>regulatory</u> role, <u>entrepreneurial</u> role and <u>promotional</u> role [ PREP ]</li> </ul>
<b>Demographic</b>	<ul style="list-style-type: none"> <li>➤ The term demographics denotes <u>characteristics of population</u> [study of human population] in an area.</li> <li>➤ It includes factors → <b>race, age, income, general age profile, sex ratio, education, population size, geographic distribution, ethnic mix, income distribution</b> etc.</li> <li>➤ <u>Ethnic Mix</u> means a mixture of people from different ethnic groups who live in same place. The <b>corporate pressure to increase and improve diversity</b> [ethnic mix] in country's workforce comes under this element.</li> </ul>
<b>Government</b>	<ul style="list-style-type: none"> <li>➤ The type of government running a country influences business.</li> <li>➤ Business have to consider <b>changes in regulatory framework and their impact</b>.</li> </ul>
<b>Global</b>	<ul style="list-style-type: none"> <li>➤ New <b>migratory habits of the workforce</b> as well as <b>increased off-shore operations</b> are changing the dynamics of business operation.</li> <li>➤ Impact of <b>significant international events</b> such as a sport meet or terrorist attack.</li> </ul>
<b>Socio-Cultural</b>	➤ It includes factors such as <b>social traditions, values, beliefs, customs, level &amp; standards of literacy &amp; education, family structure, role of women in society</b> etc.
<b>Technological</b>	<ul style="list-style-type: none"> <li>➤ Business and technology are- <u>inter-related &amp; inter-dependent</u></li> <li>➤ While analyzing technological environment, factors considered are → capital requirement, current technology being used, upcoming technologies [ But <b>relations with the country creating the technology</b> is <u>NOT</u> considered ]</li> </ul>

❖ **SWOT Analysis**

- Business firms undertake SWOT analysis to **understand** the **external & internal** environment.
- Through SWOT analysis, the **strengths and weaknesses** existing within an organization [internal env.] can be **matched** with **opportunities & threats** operating in external **environment** so that an **effective strategy** can be formulated.
- **Capitalise on opportunities** through **use of strengths** and **neutralize threats** by **minimizing impact of weaknesses**.

<p><b>Strength</b></p> <p><u>Inherent Capacity</u> → use to gain strategic advantage</p> <p>Eg- Superior R&amp;D skills</p>	<p><b>Weakness</b></p> <p><u>Inherent Limitation</u> → creates a strategic disadvantage.</p> <p>Eg- over dependence on single product</p>
<p><b>Opportunity</b></p> <p><u>Favourable Condition</u> → consolidate &amp; strengthen its position.</p> <p>Eg- Growing demand for products</p>	<p><b>Threat</b></p> <p><u>Unfavourable Condition</u> → creates a risk or causes damage.</p> <p>Eg- Emergence of strong competitor</p>

❖ **PESTLE Analysis**

- Used for analysis of MACRO environmental factors.
- Earlier traditional framework was PEST analysis. [ E for Economic ]
- Advantage - encourages management into proactive & structured thinking in its decision making.
- PESTLE stands for-
  - P- Political
  - E- Economic
  - S- Social
  - T- Technological → Intellectual property rights & copyrights
  - L- Legal
  - E- Environmental → affects industries such as tourism, farming & insurance

❖ **SWOT** Analysis is much broadex than **PESTLE** Analysis.

❖

Strategic Responses to Environment			
Holistic Strategic Responses Cover essence of the business as a whole		Internal Strategic Responses Aim at changing or adapting from within	
<u>Least Resistance</u>	<ul style="list-style-type: none"> <li>➤ Simple <u>goal-maintaining</u> units,</li> <li>➤ <u>Passive</u> in their behavior,</li> <li>➤ <u>Not ambitious</u> → <u>Content</u> with taking simple paths.</li> <li>➤ Eg- BSNL</li> </ul>	<u>Administrative Response</u>	<ul style="list-style-type: none"> <li>➤ <u>Formation or clarification</u> of organization's <u>mission</u></li> <li>➤ Revising missions, objective and goals</li> <li>➤ Can be either <u>proactive</u> or <u>reactive</u></li> </ul>
<u>Proceed with Caution</u>	<ul style="list-style-type: none"> <li>➤ <u>Monitor</u> changes in env., <u>analyse their impact</u> on their goals &amp; <u>translate their assessment</u> in <u>specific strategies</u> for survival, stability &amp; strength.</li> <li>➤ Eg- Airtel</li> </ul>	<u>Competitive Response</u>	<ul style="list-style-type: none"> <li>➤ Establishing <u>competitive advantage over rivals</u> or perform internally in unique ways → difficult to imitate.</li> <li>➤ Eg- Apple products enjoy customer loyalty, which is their competitive adv.</li> </ul>
<u>Dynamic Response</u>	<ul style="list-style-type: none"> <li>➤ Convert <u>threats</u> into <u>opportunities</u></li> <li>➤ <u>Highly conscious</u> &amp; <u>confident</u> of their own strengths &amp; weaknesses</li> <li>➤ <u>Feedback systems</u> are highly dynamic &amp; powerful.</li> <li>➤ Eg- Reliance Jio</li> </ul>	<u>Collective Response</u>	<ul style="list-style-type: none"> <li>➤ When <u>2 or more businesses come together to benefit from each other's advantages</u>, its termed as collective response.</li> <li>➤ Eg- Pharmaceutical firm forming strategic alliance; (research consortia)</li> </ul>

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## BCK Chapter 3 – Business Organisations

- A **company overview** is the most effective way to **acquire business intelligence & gain vital information** about a company, its businesses, their products, services & processes, customers, competitors; etc.
- **4 Types of Business Professionals** who do "company overview"
  - 1) **Budget Analyst** - Prepare budgets & develop forecasts based on past expenses & economic trends. However, they **do NOT** make final decisions regarding budgets.
  - 2) **Financial Analyst** - Aka. security analyst, equity analyst, investment analyst or rating analyst. They offer **advice on investment decisions**. They **recommend** a course of action, such as to **buy or sell a company's stock**.
  - 3) **Management Analyst** - Aka. management consultants. They work with heads of businesses to **improve efficiency & profitability**. They work on **case basis** [freelance consultants]
  - 4) **Market Research Analyst** - Advise company on **how to increase its market share & profitability**. They offer an overview of market & help organization to compare itself with others & bring changes and new products to lure more customers and win over competition.
- **NIFTY 50** is a benchmark Indian **stock market index** → it is an **indicator of performance** → represents **weighted average of 50 largest Indian companies** listed on the **National Stock Exchange**.
- Businesses which focus on disrupting status quo with **advanced technology** and **digitization** of **existing business models** are called **START UPS**
- Privately held startup co. becomes a **UNICORN** when it is **valued at over USD 1 billion**.

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## Indian Cos. – Incorporation Year Summary

S. No.	Period	No. of Co.	Company Name	Incorp Year	S. No.	Period	No. of Co.	Company Name	Incorp Year
1	1800s	2	SBI	1806	15	1980s	4	Infosys	1981
2			Tata Steel	1868	16			GAIL	1984
3	1910s	1	ITC	1910	17			Dr. Reddy's	1984
4	1930s	2	CIPLA	1935	18			Power Grid	1989
5			L&T	1938	19	1990s	5 [All 3 Pvt bank]	Axis B.	1993
6	1940s	3	Asian P.	1942	20			HDFC B.	1994
7			Bajaj Auto	1945	21			ICICI B.	1994
8	WIPRO		1945	22	Airtel			1995	
9	1950s (Rhythm)	3 [All Govt]	BPL	1952	23			Adani	1998
10			ONGC	1956	24	2000s	1	Flipkart	2007
11			IOCL	1959					
12	1970s	3	Reliance	1973					
13			Coal India	1975					
14			NTPC	1975					

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**24 Indian Cos. – Headquarter Summary**

Headquarter	No. of Co.	Company Name
Pune	1	Bajaj Auto
Hyderabad	1	Dr. Reddy's
Uttarakhand	1	ONGC
Gurgaon	1	Power Grid.
Ahmedabad.	1	Adani Ports
Kolkata	2	ITC Coal India
Bengaluru	3	WIPRO Infosys Flipkart
New Delhi	4	Airtel GAIL NTPC IOCL
Mumbai (B.F.)	10	SBI, Tata Sons, CIPLA, L&T, Asian Paints, BPCL, Reliance, Axis Bank, HDFC Bank, ICICI Bank

**Indian Cos. – Slogan Summary**

Company Name	Slogan
CIPLA	Caring for Life
Bajaj Auto	Distinctly Ahead
Reliance	Growth is Life
Coal India.	Empowering India, Enabling Life, Nurturing Nature
Infosys	Navigate your next
HDFC Bank	We understand your world

**Indian Cos. – Founder Summary**

Co. Name	Founder
CIPLA	✓ Khwaja Abdul Hamied
L&T	2 Danish Engineers
Asian Paints	Champaklal Choksey, Suryakant Dani, Arvind Vakil, Chimanlal Choksi
Bajaj Auto	→ Jammalal Bajaj (Started in Rajasthan)
WIPRO	→ Mohamed Premji
Reliance	Dhirubhai Ambani & Champaklal Damani
Infosys	7 Engineers- Narayana Murthy, Nandan Nilekani, N. S. Raghavan, S. Gopalakrishnan, S. D. Shibulal, K. Dinesh and Ashok Arora
Bharti Airtel	→ Sunil Bharti Mittal ✓
Flipkart	Sachin Bansal & Binny Bansal

Co. Name	Important List of Vision/Mission
SBI	<b>Vision-</b> My SBI: <b>First in customer satisfaction</b>
BPCL	<b>Vision-</b> Be a model corporate entity with social responsibility committed to <b>energizing lives through sustainable devp.</b>
NTPC	<b>Vision-</b> To be the <b>world's leading power company</b> , <b>energizing India's growth.</b>
HDFC Bank	<b>Mission-</b> To be a <b>World Class Indian Bank (Exam)</b> .
ICICI Bank	<b>Vision-</b> To be the <b>leading provider of financial services</b> in India and a <b>major global bank.</b>
Airtel	<b>Mission-</b> Hunger to <b>win customer for life.</b>
Flipkart	<b>Vision-</b> To <b>become Amazon of India</b> <b>Mission-</b> Providing <b>delightful customer experience</b>

## ✓ Global Cos. – Incorporation Year

Period	No. of Co.	Company Name	Incorp. Year
1800s	3	American Exp	1850
		Nestle	1866
		Goldman Sachs	1869
1910s	1	IBM	1911
1930s	1	HP Inc.	1939
1960s	2	Intel	1968
		Walmart	1969
1970s	2	Microsoft	1975
		Apple	1977
1990s	1	Amazon	1994
2000s	1	Amazon (India)	2012-13

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Company Name	Founder
Nestle	Henri Nestle
Goldman Sachs	Marcus Goldman and Samuel Sachs
HP	William Hewlett & David Packard
Intel	Robert Noyce & Gordon Moore
Walmart	Sam Walton
Microsoft	Bill Gates & Paul Allen
Apple	Steve Jobs, Steve Wozniak, Ronald Wayne
Amazon	Jeff Bezos

Global Cos. Slogan	
Nestle	Good Food, Good Life
Walmart	Save Money, Live Better

## Global Cos. – Headquarter

Headquarter	No. of Co.	Company Name
Arkansas, US	1	Walmart
Vevey, Switzerland	1	Nestle
Seattle City, Washington, US	2	Microsoft Amazon
New York City, US	3	American Exp IBM Goldman Sachs
California, US	3	HP Apple Intel
Hyderabad, India	1	Amazon (India)

## Year in which Global co. came to India

American Exp. (Udkgata)	1921
Nestle	1923
Microsoft	1990
IBM	1992
Walmart (Amritsar)	2009
Amazon	2012-13

## Fortune 500 Ranking, 2023

Walmart	1
Amazon	2
Apple	3
Microsoft	15

## Forbes World's Best Employer List 2022

Microsoft	2
IBM	3
Apple	5
Amazon	14

## Forbes World's Largest Public Corporations List 2023

Microsoft	9
Apple	10
Walmart	23
Goldman Sachs	33
Amazon	36
Nestle	50
American Express	63
SBI	77



Indian Cos. – Management Team

S. No	Co. Name	Chairman	MD	CEO	CFO
1	SBI	Dinesh Kumar Khara	C.C. Setty, Alok Kumar Chaudhary, Swaminathan J., Ashwini Kumar Tewari	-	Kameshwar Rao Kodavanti
2	Tata Sons	Natrajan Chandrasekaran	Natrajan Chandrasekaran	-	Saurabh Agrawal
3	ITC	Sanjiv Puri	Sanjiv Puri	Sanjiv Puri	Supratim Dutta
4	Cipla	Y. K. Hamied	Umang Vohra	Umang Vohra	Ashish Adukia
5	L&T	Anil Manibhai Naik	S.N. Subrahmanyam	S.N. Subrahmanyam	Shankar Raman
6	Asian Paints	-	Amit Syngle	Amit Syngle	R J Jeyamurugan
7	Bajaj Auto	Rahul Bajaj	Rajiv Bajaj	Rajiv Bajaj	Dinesh Thapar
8	Wipro	Rishad Premji	Thierry Delaporte	Thierry Delaporte	Aparna Iyer
9	BPCL	G Krishna Kumar	G Krishna Kumar	-	Vetsa Rama Krishna Gupta
10	ONGC	Arun Kumar Singh	Arun Kumar Singh	-	Pomila Jaspal
11	IOCL	Shrikant Madhav Vaidya	-	-	Sanjay Kaushal
12	Reliance	Mukesh Ambani	Mukesh Ambani	Mukesh Ambani	Srikanth Venkatachari & Alok Agarwal
13	Coal India	PM Prasad	PM Prasad	-	Sunil Kumar Mehta
14	NTPC	-	Gurdeep Singh	Gurdeep Singh	Renu Narang
15	Infosys	Nandan Nilekani	Salil Parekh	Salil Parekh	Nilanjan Roy
16	Dr. Reddy	Kallam Satish Reddy	GV Prasad	Erez Israeli	Parag Agrawal
17	GAIL	Sandeep Kumar Gupta	Sandeep Kumar Gupta	Gautam Chakraborty	Rakesh Jain
18	Power Grid	Sreekant Kandikuppa	Sreekant Kandikuppa	-	Ravisankar Ganesan
19	Axis Bank	-	Mr. Amitabh Chaudhry	Mr. Amitabh Chaudhry	Puneet Sharma
20	HDFC Bank	Atanu Chakraborty	Sashidhar Jagdishan	Sashidhar Jagdishan	Srinivasan Vaidyanathan
21	ICICI Bank	Girish Chandra Chaturvedi	Sandeep Bakshi	Sandeep Bakshi	Anindya Banerjee
22	Airtel	Sunil Bharti Mittal	Gopal Vittal	Gopal Vittal	Saumen Ray
23	Adani Ports	Gautam Adani	Gautam Adani	Karan Adani	Muthukumaran Doraiswami
24	Flipkart	-	Kalyan Krishnamurthy	Kalyan Krishnamurthy	Sriram Venkataraman

Global Cos. – Management Team

S. No	Co. Name	Chairman	CEO	CFO
1	American Express	Stephen Squeri	Stephen Squeri	Jeffery C. Campbell
2	Nestle	Paul Bulcke	Ulf Mark Schneider	Anna Manz
3	Goldman Sachs	David M. Solomon	David M. Solomon	Denis Coleman
4	IBM Corp.	Arvind Krishna	Arvind Krishna	James J. Kavanaugh
5	Hp Inc.	Enrique Lores	Enrique Lores	Marie Myers
6	Intel Corp.	Omar Ishrak	Patrick Paul Gelsingern	David Zinser
7	Walmart	Greg Penner	Dough McMillon	John Rainey
8	Microsoft	Satya Nadella	Satya Nadella	Amy Hood
9	Apple	Arthur D Levinson	Tim Cook	Luca Maestri
10	Amazon	Jeff Bezos	Andy Jassy	Brian T. Olsavsky
11	Amazon (India)	-	Amit Agarwal	Raghava Rao

Notes

(A2)

(P2)

## BCK Chapter 4 – Government Policies for Business Growth

## ❖ Introduction

- Every Nation defines its mode of governance through several policies. [Public Policies]
- Public policy is whatever government chooses to do or not to do. The Policies are concerned with the general welfare and development of the society.
- The **core motive** behind making public policy is holistic development
- Eg- All citizens are to be provided with biometric Aadhar card.
- Government Policies are Sine qua non [an essential condition] for all spheres of the economy.

## ❖ Public policy differs from country to country ✓

- In Bangladesh - Import of 2nd hand cars allowed. 2nd hand Toyota cars are sold in numbers through Toyota approved dealers in Dhaka.
- In India - If foreign car manufacturers want to sell cars in India, they need to form-
  - ❑ a wholly owned subsidiary [Eg- Hyundai India Limited ] OR
  - ❑ be a part of a joint venture [Eg- Toyota- Kirloskar Motors]

## ❖ Policy Framework in India – Ancient India

Policy by	Policy about
<b>Chanakya</b> → guru of Chandragupta Maurya	Chanakya authored book " <u>Arthashastra</u> ", a conceptual framework of <u>state craft &amp; public policy</u>
<b>Ashoka</b> the Great, ruler of Magadh →	<u>peace and harmony</u>
<b>Guptas</b> →	<u>taxes, trade and warfare</u>
<b>Alauddin Khilji</b> [Delhi Sultanate] →	<u>stringent tax reforms</u>
<b>Akbar</b> [under leadership of <u>Todarmal</u> ] →	<u>land reforms</u> →

## ❖ India under the British [Colonial rule]

- Britishers made policies which **benefitted the foreign rulers only**.
- Dadabhai Naoroji - book 'Poverty and Un-British Rule in India' - drain of wealth from India into Britain.

## ❖ India Since Independence

- **First industrial policy** - 1948 [fueling industrial and business growth]
- Preamble to **Constitution** of India adopted in 1950 conferred economic freedom & recognised right to carry on business as fundamental right.
- The **First Five Year Plan** was launched in 1951.
- The **Industrial Policy Resolution** 1956 → focused on direct ownership of government in business through govt cos. in sectors where private investment was either not able or willing.
- **After independence** for first 3-4 decades India was a - **Socialistic Economy** [As per ICAI SM MCQ]
- **After independence** India followed a - **MIXED Economic Path**
- 1991 - **Economic Reforms** - Liberalisation, Privatisation and Globalisation.

❖ Type of Government Policies [on basis of scope]➤ Macro-economic Management

**Govt** { Fiscal policies - Policies relating to govt. exp and tax and non-tax revenue. Fiscal policies work on both demand side & supply side

**RBI** { Monetary policies - Policies relating to supply of money, credit and foreign exchange impact business.

➤ Sector Management (Sectoral Policies)

- They pertain to specific sectors of economy. Eg- policies pertaining to agriculture, foreign trade & investment, telecom, civil aviation, industrial policies of 1956 and 1991 etc

❖ Types of Government Policies [on basis of impact]

- Protective policies- aim to provide protection to businesses so that these may sustain themselves & grow. Eg, economic policies during Mid-fifties to Eighties restricted entry of multinational cos. in India so that Indian firms can grow.
- Restrictive policies- put a curb on business growth lest it should become detrimental to interest of consumers & public. For eg, putting curb on growth of a firm into a monopoly, forming CCI etc.
- Regulatory policies- aim at putting in place an institutional set up for organised functioning of relevant market. E.g.- forming RBI regulates Money Market & Forex Market operations; SEBI regulates stock markets; etc
- Facilitative / Developmental policies- Policies which facilitates an activity. Eg- conducive policies towards development of MSMEs, formation of National Skills Development Corporation [NSDC] etc.

Consumer

Seller

❖ Macro Policy Indicators and Business Conduciveness

Variable	Direction	Meaning
GDP	<u>Rising</u>	<u>positive</u> Economic <u>optimism</u> ; <u>high demand expectations</u>
Inflation	<u>Moderate</u>	Demand and profit expectations. Extremely low inflation is <u>most detrimental</u> [sedation effect]
<u>Tax</u>	<u>Lower</u>	Open economy policies – toward globalisation
<u>Interest</u>	<u>Lower</u> ✓	<u>Lower cost of funds</u> (cost of capital)
<u>Exchange Rate</u>	<u>Moderate</u>	Protection to domestic production ; <u>Tariff-jumping</u> <u>FDI</u>

- Weakening of exch rate – Incentive for Exporters ( $1\$ = ₹80 \rightarrow 1\$ = ₹100$ )
- Strengthening of exch rate – Incentive for Importers ( $1\$ = ₹90 \rightarrow 1\$ = ₹75$ )
- The overarching, all inclusive assumption while assessing the conduciveness of the macro variables for business is- other things being constant.

❖ Policy Formulation and Impact Transmission Process

- Policy formulation process is bi-directional. The real time & post implementation feedback enables their further calibration to better serve the purpose for which these were envisaged.

GST → Policy Reform



❖ Liberalization

- Liberalization means to removing restrictions. This happens via dismantling of licensing and permits, deregulation, easing of approvals and systematic loosening of legislative & administrative controls over business.
- Liberalization may also be defined as a systematic process of the enhancement or enlargement of the freedom of the private sector

❖ Privatisation

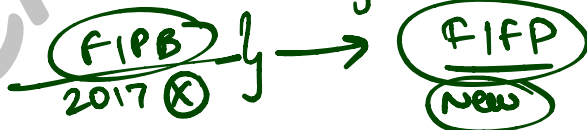
- Earlier during Prime Ministership [UK] of Mrs. Margaret Thatcher, British Coal Mines were privatized.
- Privatization refers to a managerial approach of changing the ownership structure of one or more government owned institutions.
- Types of Privatisation
- ❑ Delegation: Government keeps hold of responsibility and private enterprise handles fully or partly the delivery of product and services. Delegation happens through contract, franchise, grant, etc.
  - ❑ Di-vestment: Government surrenders partial ownership and responsibility and sells majority stake to private entities
  - ❑ Displacement: The private enterprise expands and gradually displaces the government entity. Deregulation facilitates privatisation if it enables private sector to challenge a govt monopoly. Eg- Govt monopoly in telecom sector BSNL & MTNL, also Indigo, Spice Jet and Vistara, operating in Indian aviation, are a result of displacement.
  - ❑ Dis-investment: Selling a portion (50% or less) of ownership [stake] in a public enterprise to private parties.

❖ Globalisation involves- (Regional co-operation → ⊗)

- Integrating the world into one economic global village, by removing trade restrictions
- It paves the way for higher factor mobility.
- Drawing countries out of insulation

❖ Inward Foreign Direct Investment in India [IFDI]

- Foreign Direct Investment [FDI] may be described as a flow of capital investment to an enterprise in a nation by another enterprise located in a different nation by-
- ❑ capturing a majority stake in ownership in a company in the target country, or
  - ❑ by expanding operations of an existing business in that country.
- Permission for FDI is NOT UNIFORM for all sectors. Some sectors are opened up for 100% and in some sectors, it is allowed only upto 26%, 49% or 51%.
- There are two routes to for FDI in India
- ❑ Government Route - Prior approval of government is required
  - ❑ Automatic Route ✓
- Where there is no approval through Automatic Route, the company can seek permission from Foreign Investment Facilitation Portal.



• Not permitted  
• Not allowed.

- ❖ **Sectors where FDI in India is prohibited under both Government Route as well as Automatic Route:**
- 1) Atomic Energy → (X)
  - 2) Lottery Business → (X)
  - 3) Gambling and Betting → (X)
  - 4) Business of Chit Fund → (X)
  - 5) Nidhi Company → (X)
  - 6) Plantations activities [excluding Tea Plantation]
  - 7) Trading in Transferable Development Rights [TDRs]
  - 8) Agricultural [excluding Floriculture, Horticulture, Development of seeds, Animal Husbandry, Pisciculture etc]
  - 9) Housing & Real Estate business [except development of township etc]
  - 10) Manufacture of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
- ❖ **Foreign Institutional Investors [FII]**
- FIIs are registered abroad with a view to investing in other nations to invest in equity market, hedge funds, mutual funds. Eg- Blackrock invested 30 million USDs as portfolio investor in Indian stock market
  - National governments look for sustainable FDI investment over FII investment.
- ❖ **Investment from India Abroad [OFDI]**
- When Indian firms invest out of India for business purposes, it is called as Outward FDI.

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## BCK Chapter 5 – Organizations Facilitating Business

- ❖ **Introduction**
- Business facilitators are a system of arrangements that ease the doing of business.
- 1) **Auxiliaries or aids to trade** such as banking, insurance, transport, warehousing etc.
  - 2) In the layer above, one would like to place such **policy making and executive agencies** as the Reserve Bank of India [RBI], the Securities and Exchange Board of India [SEBI], Competition Commission of India [CCI] and such regulatory cum developmental agencies like IRDA.
  - 3) A layer of facilitators below that - **Point of Contact [POC] Layer - POC Business facilitators**
    - ❑ **Freight forwarder** - A person or company who organizes shipments for firms to get goods from the manufacturer to a market. They have network with shipping Companies/ Airlines, Railways & warehouses [all aids to trade] to provide logistics support to firms
    - ❑ **Business Incubator** helps create & grow young businesses by providing them financial & technical support services.
    - ❑ **Business Accelerators** helps a budding business quickly launch a product and put it in fast lane of commercial success
    - ❑ **Financial consultants** advises business on various sources of finance- domestic as well as foreign; debt as well as equity; short-term as well as long-term and helps it mobilise its requirements too.
    - ❑ **Merchandisers** - Person who helps businesses, e.g. a fashion house obtains its supplies- fabrics, accessories, etc
- Regulatory institutions*
- Illustrative list*

❖ **Business Facilitators in Financial Sector**

- They act as intermediaries performing many functions **linking the banks / financial institutions and their potential clients.**
- Business Facilitators are intermediaries such as, NGOs/ Farmers' Clubs, cooperatives,, IT enabled rural outlets of corporate entities, Village Knowledge Centres, Krishi Vigyan Kendras and individuals like insurance agents, retired bank employees/teachers etc for providing facilitation services.
- **Business Correspondents** are as '**banks in person.**' These individuals and entities **actually provide banking and financial services.** They are more closely regulated than business facilitators.

❖ **Government as a Business Facilitator**

- Govt. facilitates business via **formulating business friendly policies** & also by **creating an institutional apparatus for implementation** of these policies. Like RBI, SEBI etc.
- Facilitative role of government's such schemes as **Make in India** and **Startup India** for furthering and facilitating Indian businesses.

❖ **Non-Funding Institutions for Business Facilitation in India [Indian Regulatory Bodies]**

- The institutions such as the-
  - ❑ Reserve Bank of India - central bank of country,
  - ❑ Securities and Exchange Board of India - apex body of securities exchanges, and
  - ❑ Competition Commission of India - rule setter for fair play in business
- Industry specific business facilitators such as -
  - ❑ Insurance Regulatory and Development Authority,
  - ❑ Telecom Regulatory Authority of India and etc.

All the above-mentioned institutions **do NOT** invest in businesses and are called **non funding institutions.**

❖ **Reserve Bank of India [RBI]**

- RBI was **established** on- **April 1, 1935**
- Reserve Bank of India Act, **1934**
- Nationalisation in **1949** by regulatory institution → **earlier privately owned**
- **Central Office initially in Calcutta** but later moved to **Mumbai** in 1937.
- RBI is governed by a **central board of directors** - **appointed by CG.**

❖ **Role of RBI**

- **Apex monetary institution**
- Maintenance of **economic stability** and **growth** of economy.
- Controls the country's **monetary policy.**
- **Advisor to government** in its **economic and financial policies**
- **Represents the country** in the international **economic forums.**
- Acts as a **friend, philosopher and guide** to **commercial banks.**
- Keeps **inflationary** trends under **control**
- **Protects market for govt. securities** and channelise credit in desired directions.

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❖ Functions of RBI

1) Issue of currency

2) Controller of Credit [Principal function of RBI]

- ❑ Quantitative measures of credit policy affect funds availability to ALL sectors Eg- SLR, CRR, Bank Rate, etc. Repo Rate.

Selective measure of credit policy

- ❑ Qualitative measures of credit policy influences credit availability to a particular sector. Eg- policy of RBI has benefitting loan availability of MSME Sector only, moral suasion etc.

3) Collection & publication of statistical data relating to banking & financial sectors of India [NOT foreign institutions]4) Banker to government- accept & pay money on behalf of govt. Manages public debt, operates in gilt-edged market & advises govt on new loans. Makes advances to Govts - repayable within 90 day5) Promotional Functions- RBI promotes banking habits among people and mobilising savings. Initially, it had taken up responsibility for provision of finance for agriculture, trade and small industries. But now these functions have been handed over to NABARD, EXIM Bank and SIDBI respectively.6) Banker's Bank - RBI has been vested with power to control & supervise commercial banking system under the RBI Act 1934 and Banking Regulation Act, 1949 RBI provides financial assistance to banks. Its can also conduct inspection of commercial banks & calls for returns7) RBI is custodian of Foreign Exchange Reserves and also administers & enforces the provisions of Foreign Exchange Management Act, 1999 → Regulatory Policy❖ RBI's Role in Business Facilitation➤ Currency Policy- RBI is responsible for monetisation of economy and maintaining adequate money supply It also oversees availability of foreign currency.➤ Credit Policy- RBI policies have an impact on channelisation of credit for business➤ Development of the Financial System- Finance is said to be life blood of business. And a well-developed financial system is important for economic development. RBI may be regarded as the heart of the financial system.➤ Funds Transfer and Payments Mechanism- RBI sets the rules of paper-based & digital payments

SLR	CRR
<p><u>Statutory Liquidity Ratio</u> represents <u>ratio of liquid assets</u> of banks to their <u>deposit liabilities</u> to be kept by the bank <u>with itself</u>.</p> <p>It is an <u>indicator</u> of banks' <u>liquidity &amp; solvency</u> i.e. their ability to meet their liabilities on demand.</p> <p>RBI uses funds of <u>CRR &amp; SLR</u> &amp; makes it available to <u>development banks</u> for purveying credit to businesses.</p>	<p><u>Cash Reserve Ratio</u> is <u>ratio</u> of <u>cash</u> to the <u>total deposits</u> that the banks are required to <u>maintain on a daily basis</u> with RBI.</p> <p>Provision of CRR enables RBI to <u>control credit position</u> of the country.</p> <p>RBI does not need to give <u>Interest</u> on CRR.</p>

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No



RBI gives loan to Banks, it charges Bank Rate [long term]

Rate at which banks borrow money from RBI against pledging or sale of govt securities "Repo Rate" [short term]



Banks deposit their surplus money with RBI, on which RBI gives interest at Reverse- Repo Rate to banks

Repo Rate &gt; Reverse Repo Rate

100 Basis Points = 1 %

Practice MCQ - The current Repo Rate is 6%. The difference between repo and reverse repo shall be 180 basis points. RBI decreases repo by 50 basis points. What is the new Reverse Repo Rate?

- a) 7.80%  
b) 8.30%  
c) 3.70%  
d) 7.30%

## ❖ Securities and Exchange Board of India [SEBI]

- SEBI was established on- 12th April 1988
- It was given statutory powers in 1992 with SEBI Act, 1992. SEBI Act came into force from 30th Jan, 1992.
- It regulates & develops Indian capital market and protects interest of investors in capital market.
- Controller of Capital Issues was regulatory authority before SEBI came into existence; it derived authority from Capital Issues [Control] Act, 1947
- SEBI headquarters → Bandra Kurla Complex in Mumbai
- SEBI Regional HQs: Northern → New Delhi, Eastern → Kolkata, Southern → Chennai, Western → Ahmedabad.

## ❖ Composition of SEBI

- A Chairman, - appointed by Central Government [CG]
- 2 members [Ministry of Corp. Affairs & Ministry of Fin.] - nominated by CG
- 1 member from RBI - nominated by RBI
- Five other members out of which at least 3 shall be whole-time members, - appointed by CG

## ❖ SEBI has to be responsive to the needs of three groups, which constitute the market:

- the issues of securities
- the investors
- the market intermediaries.

## ❖ SEBI has three functions rolled into one body which are as follows:

- Quasi-Legislative: SEBI drafts regulations in its legislative capacity.
- Quasi-Judicial: SEBI passes rulings and orders in its judicial capacity.
- Quasi-Executive: SEBI conducts investigation and enforcement action in its executive function.

## ❖ Appeal Process [In case not satisfied with order of SEBI → appeal to SAT]

- First appeal to SEBI's order can be done to Securities Appellate Tribunal [SAT] which is a 3-member tribunal. A second appeal lies directly to the Supreme Court

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❖ **Powers of SEBI**

- To approve by-laws of stock exchanges.
- To require the stock exchange to amend their by-laws.
- To inspect the books of accounts and call for periodical returns from recognized stock exchanges.
- To inspect the books of accounts of a financial intermediary.
- To compel certain companies to list their shares

❖ **SEBI's Role in Business Facilitation**

- **Development of India's capital market** For eg, it facilitates public offering of capital by a company & also oversees the subsequent trading of shares
- It helps **India cos – list overseas** & **Overseas cos. – list in India** stock market. It coordinates with market developers and regulators abroad.
- It is responsible for **investors' faith in capital mkt** and thus assures corporates of steady flow of funds.

❖ **Competition Commission of India [CCI]**

- CCI was set up to **create & sustain fair competition** in the economy that will provide a 'level playing field' to the **producers** and make markets work for welfare of the consumers.
- CCI was established on **14th October 2003**. It is a body corporate having perpetual succession and common seal.
- CCI consists of a **Chairperson** and **6 Members** appointed by the **Central Govt.**
- The **Competition Act, 2002** is a tool to **implement & enforce competition policy** & to prevent & punish anti-competitive business practices by firms and unnecessary Government interference in market.
- **Regulates business combinations**. [mergers, acquisition etc.]
- With establishment of CCI formed under Competition Act, 2002 → **MRTP commission** formed under **Monopolies Restrictive Trade Practices Act [MRTP Act], 1969** was dissolved & repealed.

❖ **Benefits of free & fair competition**

- Encourages **Innovation**.
- Increases **Efficiency**.
- Punishes the **Laggards** [A person who makes slow progress or lags behind]
- **BOOST** choice improves quality, reduces costs.
- Ensures **availability of goods in abundance** of acceptable quality in **affordable price**.

❖ **Features of the Competition Act, 2002 or Objective / Role of CCI**

- **PREVENT** practices having an appreciable **adverse effect** on competition.
- **PROMOTE** & sustain competition in market
- To **protect interests of consumers**. → (CLT)
- To **ensure freedom of trade**.

❖ **Insurance Regulatory and Development Authority of India [IRDAI]**

- IRDAI is an apex statutory body which **regulates & develops the insurance industry** in India.
- Constituted under **The IRDA Act, 1999**, it allows private players to enter the insurance sector in India besides a maximum foreign equity of **49 per cent**.

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## > IRDA → protect the interests of POLICY HOLDERS

- IRDAI role is to protect rights of policy holders and they provide registration certification to life insurance companies and responsible for renewal, modification, cancellation and suspension of this registered certificate.
- Duties, Powers and Functions of IRDAI are given in Section 14 of IRDAI Act.
- One of its function is to supervises functioning of Tariff Advisory Committee.

### ❖ Funding Institutions [Indian Development Banks]

- In first four decades since independence when Indian capital market was underdeveloped, the fuelling of industrial development was entrusted to a battery of special purpose financial institutions created toward this purpose, called 'Development Bank'
- Development banks do NOT accept deposits.
- They draw their resources from the government and other promoting agencies. As such they are referred to as "purveyor" of credit. SLR and CRR are the means through which the funds are usurped from the banking sector and these funds are placed with the development banks.
- IFCI set up in 1948 was India's FIRST development bank. IFCI was later converted into Non-Banking Finance Company (NBFC)
- It was followed by the ICICI in 1955 and the IDBI in 1964. ICICI and IDBI were later converted into Commercial Bank

### ❖ National Bank for Agriculture and Rural Development [NABARD]

- Set up in 1982 is an apex development bank in India
- Headquarter in Mumbai.
- The Bank has been entrusted with "matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in RURAL areas in India".
- NABARD is the most important institution in the country which looks after the development of the cottage industry, small industry and village industry, and other rural industries.
- NABARD's refinance is available to state co-operative agriculture and rural development banks [SCARDBs], state co-operative banks [SCBs], regional rural banks [RRBs], commercial banks [CBs]. Refinancing not available to private sector banks.
- NABARD is also known for its 'SHG Bank Linkage Programme' which encourages India's banks to lend to self-help groups [SHGs]. men women
- NABARD also has a portfolio of Natural Resource Management Programmes involving diverse fields like Watershed Development, Tribal Development and Farm Innovation. [But NOT WATER TREATMENT PLANNING]

Institution	Apex authority setting rules of
<u>RBI</u>	Money market & <u>Banking</u>
<u>SFB</u>	Capital Market
<u>CCI</u>	Non-financial market [protection of consumer interest & producer's freedom of trade]
<u>IRDA</u>	Market for insurance products

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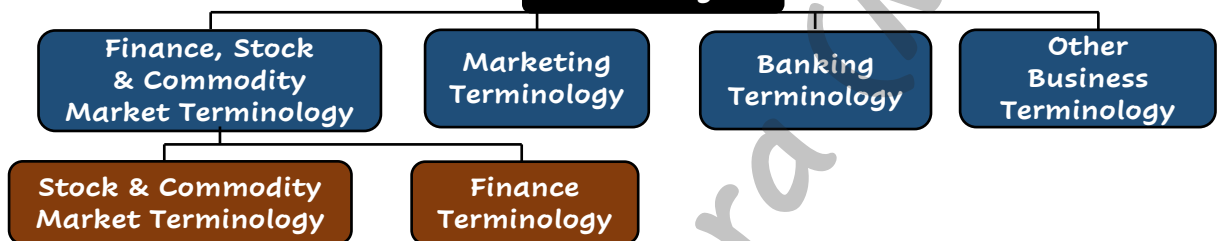


## BCK Chapter 6 – Common Business Terminologies

## ❖ Business - Many Facets of the Same Reality

- **Technical facet** [Production/Operations],
- **Commercial facet** [marketing]:
  - ❑ **4 Ps of marketing** - **Product, Price, Place and Promotion** for goods marketing
  - ❑ **3 additional Ps** - **People, Physical Evidence, Processes** for services marketing.
- **Financial facet** [economic],
- **HR facet** [social] - **People occupying different job positions** and performing their respective roles, responsibilities and functions. (MCQ)
- **Administrative facet** [political & legal] - **Forms of business organisation, regulations, approvals & clearances** needed to start and carry-on business.

## Terminologies



S. No	Finance, Stock & Commodity Market Terminology	
1	<u>Annuity</u>	A series of payments of an <b>equal amount</b> at <b>fixed intervals</b> for a specified number of periods.
2	<u>Annuity due</u>	An <b>annuity</b> whose <b>payments</b> occur at the <b>beginning</b> of each period.
3	<u>Arbitrage</u>	<b>Simultaneous purchase and sale</b> of two <b>identical commodities</b> , to <b>take advantage of price variations</b> in <b>two different markets</b> . Eg- Purchase of gold in one nation & simultaneous sale in another.
4	Ask / Offer	The <b>lowest price</b> at which an <b>owner is willing to sell</b> his securities. The <b>offer</b> is <b>higher</b> the <b>bid</b> .
5	Bid	It is the <b>highest price</b> a <b>buyer</b> is <b>willing to pay</b> for a stock. It is <b>opposite</b> of <b>ask/offer</b> .
6	<u>Break-even Point</u>	It is the <b>amount of revenue</b> from sales which <b>exactly equal</b> <b>amount of expense</b> . Sales <b>above break-even</b> point produce <b>profit</b> & below produces loss.
7	<u>Bears</u>	Stock-market players are <b>pessimistic</b> [anticipate lower returns] they <b>expect share prices</b> or any other type of investment <b>to fall</b> .
8	<u>Bear Mkt</u>	A market in which stock <b>prices</b> are <b>falling</b> consistently.
9	<u>Bull Mkt</u>	A market in which the stock <b>price</b> is <b>rising</b> consistently.
10	<u>Basket Trading</u>	A facility by which investors are in a position to <b>buy/sell all 30 scrips of Sensex</b> in the <b>proportion of current weights in the Sensex</b> , in one go.
11	<u>Badla</u>	<b>Carrying forward of transaction</b> from <b>one settlement period to the next</b> without effecting delivery or payment.

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S. No.	Finance, Stock & Commodity Market Terminology	
12	Blue Chips	Shares of <b>large, well established</b> and <b>financially sound companies</b> with an <b>impressive record of earnings and dividends</b> . The <b>price volatility</b> of such shares is <b>moderate</b> .
13	Income Stock	A security which has a <b>solid record of dividend payments</b> and offers the dividend higher than the common stocks.
14	Defensive Stock	A stock that <b>provides a constant dividends</b> and <b>stable earnings even in the periods of economic downturn</b>
15	Bonus Shares	A <b>free allotment of shares</b> made in <b>proportion to existing shares</b> out of <b>accumulated reserves</b> [profits]. A bonus share <b>does not constitute additional wealth</b> to shareholders. (Profit X → Bonus X)
16	RISK	A <b>probable chances of investments actual returns</b> will be <b>reduced</b> then as calculated.
17	Business Risk	The <b>riskiness</b> inherent in the firm's operations if it uses <b>no debt</b> .
18	Commercial paper	<b>Unsecured, short-term promissory notes</b> of large firms, usually issued in <b>denominations of Rs 100,000 or more</b> . They have <b>minimum maturity of seven days</b> and a <b>maximum of up to one year</b> from the date of issue.
19	Consolidation	<b>Business combination of two or more entities</b> that occurs when the <b>entities transfer all of their net assets</b> to a <b>new entity created</b> for that purpose.
20	Creditors	These are <b>organisations you owe money to</b> .
21	Debtors	An organisations <b>who owes money</b> to you.
22	Debenture	A type of debt instrument that is <b>not secured by physical assets or collateral</b> . Debentures are <b>backed only by the general creditworthiness and reputation</b> of the issuer. A debenture is an <b>unsecured</b> form of investment.
23	Derivative	Security whose <b>price is derived from one or more underlying assets</b> .
24	Dividend	A <b>portion</b> of company's <b>earnings</b> decided to <b>pay to its shareholders</b> in return to their investments.
25	Exchange Rate	The <b>number of units of given currency</b> that can be <b>purchased for one unit of another currency</b> . [ Eg: 1 \$ = Rs 75 ]
26	Financial Instrument	It is anything that ranges from <b>cash, deed, negotiable instrument, or any written evidence</b> that shows <b>existence of transaction or agreement</b> .
27	Hedge	A strategy that is used to <b>minimize the risk</b> of a particular investment and <b>maximize the returns</b> of an investment.
28	Market capitalization	The <b>total value in rupee</b> of all of a <b>company's outstanding shares</b> . It is calculated by <b>multiplying all the outstanding shares with the current market price of one share</b> . [MIL = ₹ 17 lakh crore]
29	Index	It is a <b>statistical measurement of change</b> in the <b>economy</b> or <b>security market</b> .
30	Beta (β)	It is a measurement of <b>relationship between stock price</b> of any <b>particular stock &amp; movement of whole market</b> . It measures <b>sensitivity</b> of a <b>share price</b> to the <b>market</b> .

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S. No.	Finance, Stock & Commodity Market Terminology	
31	Limit order	An order to <u>buy or sell</u> a share <u>at a specified price</u> . The order will be <u>executed only at the specified limit price or even better</u> . A limit order sets a minimum price the seller is willing to accept and maximum price the buyer is willing to pay for it.
32	Liquidation	When the <u>assets of a division are sold off piecemeal</u> , rather than as an operating entity.
33	Mutual fund	A <u>pool of money managed by experts</u> by <u>investing in stocks, bonds and other securities</u> with the <u>objective</u> of improving their <u>savings</u> .
34	Call Option	Option that gives investor <u>right but not obligation to buy</u> a particular stock at a specified price within a specified time period.
35	Put Option	Option that gives investor <u>right but not obligation to sell</u> a particular stock at a specified price within a specified time period.
36	Out of the money	<ul style="list-style-type: none"> <li>➤ Call option- <u>stock price &lt; strike price</u>.</li> <li>➤ Put options- <u>stock price &gt; strike price</u>.</li> </ul>
37	Pre-opening session	The pre-open session is for duration of <u>15 minutes</u> i.e. from <u>9:00 AM to 9:15 AM</u> . → <u>Trading Session</u> → <u>9:15 to 3:30 PM</u>
38	Thin Market	A market in which there are comparatively low number of bids to buy and offers to sell. Since the <u>number of transactions is low</u> , the <u>prices are very volatile</u>
39	Yield	It is the <u>measure of return on investments</u> in terms of <u>percentage</u> .

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S. No.	Marketing Terminology	
40	Brand Equity	Brand equity refers <ul style="list-style-type: none"> <li>➤ <u>value of a brand</u>.</li> <li>➤ based on <u>extent to which the brand has high brand loyalty, name awareness, perceived quality</u> and strong product associations.</li> <li>➤ It also includes other <u>"intangible" assets</u> such as patents, trademarks etc</li> </ul>
41	Business to Business	Marketing activity directed from <u>one business to another</u> . This term is often shortened to <u>"B2B"</u> .
42	Consortium	Consortium is a <u>combination of several companies working together</u> for a <u>particular purpose</u>
43	Forecasting	The process of <u>estimating future demands</u> by <u>anticipating</u> what buyers are <u>likely to do</u> under a <u>given set of marketing conditions</u> .
44	Market segmentation	<u>Dividing consumers</u> into groups <u>based on different consumer characteristics</u> , to <u>deliver specially designed advertisements</u> .
45	Merger	A <u>process</u> when <u>two or more companies come together</u> to <u>expand their business operations</u> . <u>into a newly created entity</u>
46	Niche Marketing	<u>Exploitation of comparatively small market segments</u> by <u>businesses that decide to concentrate their efforts</u> .
47	Personal selling	<u>Oral communication</u> with <u>potential buyers</u> of a product with the <u>intention of making a sale</u> . The personal selling may <u>focus initially on developing a relationship</u> with the potential buyer, but will always <u>ultimately end with an attempt to "close the sale"</u> .

S. No.	Marketing Terminology	
48	<u>Pre-Emptive Pricing</u>	A strategy involves <u>setting low prices in order to discourage or deter potential new entrants</u> to the suppliers market.
49	Price Discrimination	Price discrimination occurs when a <u>firm charges a different price to different groups of consumers</u> for an <u>identical good or service</u> , for <u>reasons not associated with costs</u> . For example, bottled water is priced differently in shopping malls and cinema halls.
50	Price Elasticity of Demand	Price elasticity of demand measures the <u>responsiveness of a change in demand</u> for a product following a <u>change in its own price</u> .
51	<u>Price Sensitivity</u>	The <u>effect a change in price</u> will have on <u>customers</u> (Apple)
52	<u>Price Skimming</u>	<u>Charging a relatively high price for a short time</u> where a <u>new, innovative, or much-improved product is launched</u> onto a market.
53	<u>Publicity</u>	Promotional activities designed to <u>promote a business</u> and its products by <u>obtaining media coverage not paid</u> for by the business.

S. No.	Banking Terminology	
54	Acceptance	It is a very <u>wide term</u> that is used in <u>context</u> with financial <u>agreements and contracts</u> .
55	American Depository Receipt [ADR]	ADRs are <u>depository receipts</u> which are <u>equal to a specific number of shares of company</u> that have been <u>issued in a foreign country [USA]</u> .
56	<u>Bridge Financing</u>	Aka. <u>gap financing</u> → is a loan where the <u>time and cash flow</u> between a <u>short term loan</u> and a <u>long term loan</u> is <u>filled up</u> .
57	<u>Cap</u>	A limit that <u>regulates</u> the <u>increase or decrease in the rate of interest</u> .
58	<u>Cheque</u>	A <u>negotiable instrument</u> that <u>instructs the bank</u> to <u>pay a particular amount of money</u> from the writer's bank, <u>to the receiver</u> of the cheque.
59	<u>E-cash</u>	Aka. <u>electronic cash</u> or <u>digital cash</u> . It is a technology where <u>banks resort to use of electronic, computer, internet to execute transactions &amp; transfer funds</u> .
60	<u>Earnest Money Deposit</u>	It is a <u>deposit</u> made by the <u>buyer</u> to the <u>potential seller</u> of a <u>real estate</u> , in the <u>initial stages of negotiation</u> of purchase.
61	<u>Lock-in Period</u>	A <u>guarantee</u> given by the <u>lender</u> that there will be <u>no change in the quoted mortgage rates</u> for a <u>specified period of time</u> .
62	<u>Syndicated loan</u>	A <u>very large loan extended</u> by a <u>group of small banks</u> to a <u>single borrower</u> , especially corporate borrowers.



S. No.	Other Business Terminology	
63	<b>Sustainable Development</b>	It emphasizes on simultaneous attention to economic growth, social equity and <b>ecological balance</b> . <b>Profit</b> <b>Planet</b>
64	<b>Triple Bottom line</b>	The equal emphasis on <b>triple Ps</b> , viz., <b>Profits, People and Planet</b>
65	<b>Turnaround</b>	<b>Financial recovery of a company</b> that has been <b>performing poorly</b> for an extended time.
66	<b>VISION</b>	<b>Road map of a company's future</b>

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