- *General **Guidelines** for students to maintain decorum, while attending online lectures, to ensure a healthy communication with both your peers and your instructors.*
- Treat your teachers and classmates with respect
- Be regular in your daily class and work e.g. submission of assignments, self-study
- Use clear, courteous and concise language
- Avoid all forms of slang. Do not use any rude or sarcastic comments
- Be careful with personal/confidential information
- No file sharing is allowed without permission from the teacher
- Do not post/share (even privately) inappropriate material
- Ensure your technology is reliable and consistent and have a back up plan
- Make sure your identification is clear during online lecture
- Do not share your password with anyone – could put your safety or security at risk.

PAPER: COMMERCE – I
SYLLABUS

- **MODULE I: BUSINESS**
- Introduction: Concept, Functions, Scope & Significance of business, Traditional & Modern concept of business
- Objectives of Business: Steps in setting business objectives, Classification of business objectives, Reconciliation of Economic & Social objectives
- New Trends in Business: Impact of Liberalization, Privatization & Globalization, Strategy alternatives in the changing scenario, Restructuring & Turnaround Strategies

SYLLABUS

- **MODULE II: BUSINESS ENVIRONMENT**

Introduction: Concept & importance of business environment, Interrelationship between business and environment, Internal and External Environment, Educational Environment & its impact

International Environment: WTO & Trading Blocs & there impact on Indian business

SYLLABUS

MODULE III: PROJECT PLANNING

•Introduction: Business planning process, Concept & importance of project planning, Project Report, Feasibility study types & Its importance

Business unit promotion: Concept & Stages of business unit promotion, Location-factors determining location & Role of Govt. in promotion

•Statutory Requirements in Promotion of business unit: Licensing & Registration procedure, Filing returns and other documents, other important legal provisions

SYLLABUS

- **MODULE IV: ENTREPRENEURSHIP**
- Introduction: Concept & importance of Entrepreneurship, Factors contributing to growth of Entrepreneurship, Entrepreneur & Manager, Entrepreneur & Intrapreneur
- The Entrepreneurs: Types & Competencies of Entrepreneur , Entrepreneurship Training & Development Centers in India, Incentives to Entrepreneurs in India

Women Entrepreneurs: Problems & Promotion

MODULE I BUSINESS

- **BUSINESS**

Concept, Functions, Scope, Significance of business, Traditional and Modern concept of business

- **OBJECTIVES OF BUSINESS**

Steps in setting objectives, Classification of business objectives, Reconciliation of economic and social objectives

- **NEW TRENDS IN BUSINESS**

Impact of LPG, Strategy alternatives in the changing scenario, Restructuring and Turnaround strategies

DEFINITION

- **B.O. Wheeler** – ‘Business is an institution organized and operated to provide goods and services to society under the incentive of private gain’

- **L. H. Haney** – ‘Business is a human activity directed towards producing or acquiring wealth through buying and selling activities’

Nature / Features of Business

1 Organized Activity

2 Profit Motive

3 Quality Focus

4 Risks and Uncertainties

5 Regularity in Dealings

6 Societal Interest

7 Social Responsibilities

8 Business Functions

9 Creative and Dynamic

10 Government control

FUNCTIONS OF BUSINESS

1 Production Function
2 Marketing Function
3 Sales Functions
4 Finance Function
5 HRM
6 R&D
7 Public Relations
8 CSR

SCOPE OF BUSINESS

BUSINESS

- **INDUSTRY**
  - PRIMARY
  - GENETIC
  - EXTRACTIVE
  - MANUFACTURING
  - CONSTRUCTION
  - SERVICE
- **COMMERCE**
  - TRADE
  - AIDS TO TRADE

SCOPE OF BUSINESS

COMMERCE

- **TRADE**
  - **INTERNAL**
    - Wholesale
    - Retail
  - **EXTERNAL**
    - Import
    - Export
    - Entrepot
- **AIDS TO TRADE**
  - Warehousing
  - Transport
  - Communication
  - Insurance
  - Banking
  - Advertising
  - Salesmanship
  - Mercantile Agents

SIGNIFICANCE / IMPORTANCE OF BUSINESS

A) To Business Firm

1 Achievement of objectives
2 Corporate Image
3 Customer Satisfaction
4 Competitive Advantage
5 Efficiency of Business
6 Expansion of Business
7 Optimum Utilization of resources
8 R & D
9 Relationships with Society

SIGNIFICANCE / IMPORTANCE OF BUSINESS:

B) <u>To Consumers</u>

1 Availability of quality goods and services

2 Better facilities and services

3 Customer Satisfaction

4 Higher standard of living

SIGNIFICANCE / IMPORTANCE OF BUSINESS:

C) <u>To Society</u>

1 Economic Growth
2 Employment
3 Regional Development
4 Revenue to the Government
5 Social Order
6 Standards of Living
7 Infrastructure Developments
8 Competition Benefits to Society
9 International Relations

TRADITIONAL AND MODERN CONCEPT OF BUSINESS

1 Meaning

Traditional: It is adopted by traditional business firms. It places emphasis on profits.

Modern: It aims to achieve a balance between profits, customer satisfaction and societal interest.

2 Marketing Research

Tradition: Does not place emphasis on Marketing Research

Modern: Gives importance to marketing research

3 Nature of Decision Making

Tradition: The traditional managers make reactive decisions in response to competitive decisions.

Modern: The professional managers make proactive decisions to gain competitive advantage.

TRADITIONAL AND MODERN CONCEPT OF BUSINESS

4 Opportunity Sensing

Traditional: The traditional managers follow adhoc search for new opportunity
Modern: The professional managers ongoing search for new opportunities.

5 Pricing Methods

Traditional:Firms follow cost oriented methods of pricing such as cost plus pricing etc.

Modern: Firms adopt market oriented methods of pricing such going rate method etc.

6 Promotion Mix

Traditional:Firms plays limited emphasis on promotion-mix elements such as advertising, salesmanship etc.

Modern: Firms gives importance to promotion mix such as advertising, salesmanship etc.

TRADITIONAL AND MODERN CONCEPT OF BUSINESS

7 Quality of products

Traditional: These firms hardly place emphasis on quality improvement and to develop new products

Modern: These firms place lot of emphasis on quality improvement and to develop new products

8 R&D

Traditional: Lack of R&D

Modern: More emphasis on R&D

9 Social Responsibility

Traditional: No importance to social responsibility

Modern: Gives importance to social responsibility towards stakeholders

TRADITIONAL AND MODERN CONCEPT OF BUSINESS

10 Area coverage

Traditional: Firms caters mostly to local market

Modern: Firms operate over a large market even at global market

11 Assumptions

Traditional:It assumes the customers will favour only those products that are widely available and are low in cost

Modern: It assumes that business will survive only when a firm enhances customers and society's well-being

12 Applicability

Traditional:This concept is still applicable in sellers market, especially in third world countries

Modern: Applicable mostly in developed markets, where there is buyers market

TRADITIONAL AND MODERN CONCEPT OF BUSINESS

13 Consumer preference

Traditional:It does not give importance to consumer tastes and preferences

Modern: It gives importance to consumer tastes and preferences

14 Competitive advantage

Traditional:This concept hardly places any emphasis on competitive edge in the market

Modern: Firms makes every possible efforts to gain competitive edge in the market

BUSINESS OBJECTIVES

Louis A. Allen defines objective as -

"Objectives are goals established to guide the efforts of the company and each of its components".

Objectives are those ends which an organisation seeks to achieve through its operations.

A firm with clear and well-defined objectives can plan, organise, and give a definite direction to its activities towards the social and economic ends. A firm without well-defined objectives is like a journey without destination.

Characteristics of Business Objectives

1 Multiplicity of Objectives

2 Hierarchy of objectives

3 Measurability of objectives

4 Periodicity of objectives

5 Flexibility of objectives

6 Objectives can be quantitative and qualitative

7 Network objectives

Steps in formulating Objectives:

1. Consider environmental factors
2. Consider resources of the enterprise
3. Consider individual dominance
4. Consider value system
5. Consider past objectives
6. Setting final objectives:

Significance of Objectives

Helps in defining the organisation

Provides basis for evaluation

Facilitates direction

Facilitates decision-making

Facilitates planning

Ensure proper organising of resources

Motivates personnel

Ensures survival and success of the firm

Classification of Business Objectives

A) ***Organic or Threefold Objective*** Survival, Growth and Prestige

B) ***Economic Objectives*** Profit, creation of wealth, creation of customers, innovation

C) ***Social Objectives***

Towards Employees :Payment of wages and incentives, providing good working conditions, conducting proper performance appraisal etc.

Towards Customers : Supplying right quality of products and services, charging the right price etc.

Towards Shareholders : Payment of dividend on time, disclosing true and correct information about firm's progress and prospects etc.

Towards Government : Payment of taxes and duties, adhering to the government's rules and regulations etc.

A) ***Human Objectives:*** These objectives are related to employees who provided their services for the efficient working of the organisation.

B) ***National Objectives:*** These are more specific obligations of business towards the fulfilment of the nation's social and economic policies.

Reconciliation of Objectives

Business is part of society and therefore, it has to meet its social obligations along with its economic objectives. The economic and social objectives can be reconciled under - Profit and consumer price, profit and R&D, profit and after sales services, profit and employees' welfare, profit and shareholders interest, profit and social development, business expansion and healthy competitive practices etc.

NEW TRENDS IN BUSINESS

Liberalisation:

This also refers to economic reforms. It refers to reduction of government control on business sector. The old "License and Permit Raj" was removed, and businessmen were given considerable freedom in the conduct of their business activities. In brief, economic liberalisation or free market economy is new philosophy or growth model accepted in India after 1991. The positive impacts of liberalisation on Indian economy are indicated by- higher growth rate, improvement in the balance of payment position, investment by NRIs etc.

Privatisation:

It is a process by which the government transfers the productive activity from public sector to private sector. Privatisation relates to the transfer of ownership and/or management of an enterprise from public to private sector. It relates to withdrawal of the state from an industry partially or fully. The basic objective of privatisation is to give more freedom to raise operational flexibility to public enterprise to raise their efficiency and profitability and make them competitive as with regards to cost and quality. The following changes were introduced- Permission to private sector in areas reserved for public sector, Sale of shares of public sector units (disinvestment), encouragement to direct foreign investment, permission to foreigners to buy shares of Indian units.

Globalisation:

It may be defined as “the process of integrating a country’s economy with global economy with a view of capturing global opportunities for long term growth and development”. It is planning locally and implementing globally. . It is removing all barriers- political, economic, social, cultural etc. from international trade/business. It is a move towards one world – “Vasudeva Kutumbhakam”. In fact, globalisation is the process of widening the area of business activities to global level by crossing the political and economic boundaries.

Positive impacts of Globalisation:

1) It leads to integration of countries of the world for business purpose.

2) It provides opportunities to participating countries to grow and expand production and marketing capacities.

3) It facilitates easy transfer of capital from one country to another due to free convertibility. It encourages JV and foreign collaborations.

4) It leads to expansion of world trade.

5) It enables countries to use untapped resources fully with the cooperation of other countries.

Negative impacts of Globalisation:

1) The benefits of globalisation are shared mainly by the rich and developed countries.

2) The benefits such as industrial growth, of exports, growth of national income etc. are not reached to the poorer sections of the society.

3) It has proved beneficial to rich and developed countries at the cost of poor and underdeveloped or developing countries.

4) Globalisation has created new problems such as- share of domestic market by MNCs, limited export capacity due to their limited competitiveness.

STRATEGY ALTERNATIVES

(A) STABILITY STRATEGY:

This strategy aims at stable growth. The firm concentrate on the current product and current markets._Firms adopting stability strategy aims at moderate growth and profits. The reasons for adopting stability strategy – Performance level / Profits / Risk Factor / Resources / Environment / Expertise / Market share / Management philosophy etc.

(B) GROWTH STRATEGIES:

1) INTERNAL GROWTH STRATEGIES: In this strategy firm pursues growth with the help of its internal resources i.e. capital, employees, technique of production etc. internal growth strategy can take place either by expansion or

Diversification. Expansion is an increase in the business or starting new business which is very much similar to the existing line of business. Diversification, on the other hand involves starting a totally new business.

a) Expansion (Intensification) Strategy

Market penetration strategy: it involves selling existing products to existing markets. It is designed to increase the sale of existing products to current customers, non-users and users of competing brands. In order to capture a larger share of the market the manufacture may cut prices, improve distribution convenience and increase promotion.

Market development strategy: it involves extending existing product to new markets. It aims at reaching new customer segments within an existing geographic market, or it may aim at expanding it in new geographic areas, including overseas markets.

Product development strategy: it involves developing new products for existing markets or for new markets. Product development may involve, improving product features or performance or may expand existing product line.

b) <u>Diversification strategy</u>: It involves expansion or growth of business by introducing new products either in same market or in different markets. Company may diversify for many reasons such as spread of risk by operating in various businesses, to make optimum use of resources, to face competition effectively, to accelerate growth, to improve corporate image etc. There are FOUR forms of diversification:

1) *Vertical diversification*: It is called vertical integration. It is strategy for growth where a company adds new facilities to the existing manufacturing or distribution facilities. Vertical diversification includes:

a) *Backward integration*: here, company either starts producing or acquiring raw materials required for its products. The purpose is to have control over the supply of raw material and thereby maintaining regularity in production activities. Eg. A readymade garments manufacture may start a cloth manufacturing company.

b*)Forward integration*: here, company undertakes distribution of product manufactured by it. It may establish retail outlet for supplying goods to customers. Eg. Bata Company has retail shops for selling goods directly to customers.

2) ***Horizontal diversification***: here, new products are introduced which are akin to the existing product line of the company. The products are related because they perform a closely, related functions, or are sold through the same customer groups through the same marketing channels.

3) ***Concentric diversification:*** it involves diversification in such areas or products, which are indirectly related to its existing line of business. The new linked to existing business through process, technology or marketing. Eg. A car dealer may start a finance company to finance hire purchase of cars.

4) ***Conglomerate diversification****:* here, company enters into those areas which have no relation with the existing line of business. It is an attempt to diversify outside the present market or product. Eg. ITC, a cigarette manufacturing company has diversified into hotels, packaging, FMCG etc.

2) <u>EXTERNAL GROWTH STRATEGIES</u>: Growth with the help of external resources or organisations is called external strategies. Following are the external growth strategies:

1) *Amalgamation*: when two or more companies carrying on similar business go into liquidation and a new company is formed to take over their business, it is called amalgamation. Both the companies loses their identity. The main aim of amalgamation is to minimise the possibilities of cut-throat competition and to secure the advantage of large scale production.

2) *Acquisition/Takeover*: acquisition means purchase of one company by another in which no new company is formed. It is the purchase through which one company take over the controlling interest of another company. The company which is acquired loses its identity.

3) *Merger:* here, two companies come together but only one company survives and the other goes out of existence. The merger takes place for consideration. Shareholders of merging company are given either cash or shares of the merged company.

4) *Joint venture*: a temporary partnership between two organisations for achieving common goals. Once the goal is achieved, joint venture comes to an end. Joint venture agreements are entered into between companies from foreign countries. This is done for sharing technical know-how, management skills, financial resources, marketing skills etc. of both the companies.

FOREIGN COLLABORATION

To collaborate means to cooperate. Collaboration means cooperation for mutual benefits. 'Foreign collaboration is an agreement between two or more companies from different countries for mutual help and benefits.'

Types of foreign collaborations are – Technical / Financial / Marketing / Consultancy / Management collaboration

Importance/need for foreign collaboration

Industrial growth

R&D

Better quality and quantity of goods

Optimum utilisation of resources

Economic development

International relations

Merits of Foreign collaboration:

1) To the recipient country/company

a) Reduce resource gap
b) Industrial growth
c) Employment opportunity
d) Optimum utilisation of resources
e) Cooperation
f) Export promotion and import substitution
g) Improvement in work culture
h) More profits

2) To the foreign collaborator:

a) Monetary gains (fees, commission etc.)
b) Recover the cost of R&D
c) Cheap labour and raw material
d) Optimum use of excess resources
e) Helps in expanding the activities of MNCs
f) Accelerates business growth.

Demerits of foreign collaboration

a) Supply of outdated and capital intensive technology

b) Adverse effects on the domestic companies

c) Economic considerations

d) Political interference

e) Developed countries benefited

f) Endangers national security

g) Adverse effects on balance of payments

h) Setback to the technological development in the host country etc.

B) MERGER & AMALGAMATION

A merger is a combination of two or more firms or companies. After merger only one company exists and the other ceases to exist. The assets and liabilities of the non-existing company are taken over by the surviving company.

An amalgamation is an arrangement in which the assets and liabilities of two or more companies become vested in another company. It is a process of combining two or companies and a new company is created.

Reasons for Merger & Amalgamation: Competitive advantage, Diversification, Economies of large scale, Financial Benefits, Growth, Higher Market share, Increase in Goodwill, Managerial effectiveness, Revival of sick units, Efficiency, etc.

C) TAKEOVER & ACQUISITION:

Takeover is a form of acquisition, and can be done by buying shares from market and taking over the control with or without the consent of the owners. Takeover can take place in three forms – Negotiable takeover (parties mutually settle the terms and conditions), open market/hostile takeover (acquiring firm buys shares of the other firms from the open market normally at higher price), Bailout (profit making firm takeover a sick/weak company, so out to bail out from financial market).

(3) RETRENCHMENT STRATEGY

1) *Divestment Strategy*: It involves dropping of some products, markets or functions. It can be achieve through sale or liquidation. There are several reasons for adopting this strategy such as – Attractive offer from other firms / Better alternative for Investment / Concentration on core business / Debt serving problem / Mismatch of business / Negative cash flows / Obsolete products /Problem of competition / Technology up gradation / Return to shareholders

2) *Liquidation strategy*: It is extreme case of divestment strategy. Here, organisation takes decision to sell its entire business and funds so realised can be invested in some other business. It is common in case of small businesses. A company can be wound up under the provisions of the Indian Companies Act, 2013, Sec.245. There are three kinds of winding up – Compulsory winding up under the order of court / Voluntary winding up at the instance of members, at the instants of investors.

RESTRUCTURING STRATEGIES

In order to make best use of available resources and to generate maximum returns on investments, companies can use following various restructuring strategies –

***(1) MERGER & TAKEOVER*:** Merger – horizontal merger, vertical merger, conglomerate merger

Takeover – it generally involves the acquisition of a block of equity capital of a company, which enables the acquirer to take control of the affairs of the taken over firm. The acquirer must by more than 50% of the paid up equity capital of the acquired company to take over the control of the affairs of acquired firm. (Practically 20-40% is sufficient to exercise control).

(2) PORTFOLIO RESTRUCTURING*:* It basically involves -

Purchase of division/plant for the purpose of improving its market and financial position. The firm takes over the assets and liabilities of that division.

Divestiture: it involves the sale of a division or a plant or a unit of one firm to another. From seller's it represents contraction of portfolio and from buyer's point of view, it represents expansion. The reasons for divestiture are – Raising capital / Reduction of losses / Focus on core business / Efficiency

De-merger: It takes place when a firm transfer one or more of its units to another firm. The company whose unit transferred is called the demerged company and the firm to which unit is transferred is called the resulting company. Demerger can take place in two forms – In spin-off, a division or unit is spun off into an independent company, after spin-off, the parent company and the spun-off company are two separate companies. In a split-up, an existing company is split-up into two or more independent companies. In such a case, the existing company loses its existence, and new entities come into existence.

***(3) FINANCIAL RESTRUCTURING*:**

It involves a significant change in the financial structure of the firm and /or the pattern of ownership and control. Some of the ways are -

Going Public – The main reason for going public is to access the capital for its growth and expansion purpose.

Debt-equity Swap - when a firm finds it difficult to service its existing debt (interest payment and repayment of principal), it may decide to convert debt into equity.

Leveraged Buyout – it normally involves an acquisition of a division or unit of a company; and occasionally, it involves the purchase of an entire company. The purchase of unit is normally financed by debt and low equity.

Buyback of shares - it involves a firm's decision to repurchase it own shares from the market. It is a defensive strategy against a potential take-over. The management may have excess cash, but lacks profitable investment opportunities. To provide returns to the remaining shareholders in future.

(5) REHABILITATION SCHEMES:

A sick unit can revived to improve its financial position by adopting revival schemes. Settlement with Creditors - rescheduling of payment of interest and principal, conversion debt into equity etc. Strict control over Costs, especially over its discretionary expenses. Streamlining of operations to improve the overall efficiency of the firm, Provision of additional capital obtaining through rights issue, term loans from FIs etc. Other schemes such as reduction in surplus manpower, Change in existing incompetent management, Reformulation of product-market strategy, Improvement in managerial system, organisational_structure.

***(4) ORGANISATIONAL RESTRUCTURING*:** Firms are resorting to organisational restructuring to face competition and to improve their financial position.

Regrouping of business – firms are regrouping the existing businesses into a few compacting strategic business units (SBU), which are often referred to as profit centers.

Business process reengineering – it aims at improvements in performance by redesigning the process through which an organisation operates, maximising their value-added content and reducing costs, wherever possible.

Downsizing – it involves retrenchment of surplus manpower through VRS and other schemes.

Outsourcing –Companies are resorting to outsourcing or subcontracting, which helps to reduce manpower and convert fixed cost into viable costs.

TURNAROUND STRATEGY

It refers to transformation of a loss-making unit into a profitable one. It is possible only when the company restructure its business operations. It is a broader strategy and can include divestment strategy. Normally, this strategy aims at improvement in declining sales or market share and profits.

Essentials of Turnaround strategy:

1 Communication

2 Availability of resources

3 Leadership

4 Long-term approaches

5 Review of the situation

6 Support from the various parties

7 Viability of business

8 Planning and Control

Steps in Turnaround strategy:

1 Setting up turnaround committee

2 Causes of Losses

3 Investigation of causes

4 Alternative solutions

5 Selection of best solution

6 Implementation and reviews