Contents

CHAPTER 1	BUSINESS AND COMMERCIAL KNOWLEDGE – AN INTRODUCTION

DOMAIN OF BCK [a specified sphere of knowledge.]

BCK is Vast	BCK is Eclectic (Multidisciplinary)	BCK is ever-expanding
- cover wide range of activities - include manufacturing, trading and services. - e.g. domestic retail include street vendors, weekly bazars, neighborhood shops, malls, company chain stores and online retail.	- adapts the vocabulary from various disciplines viz., Marketing, Accounting & Finance, - Military (e.g. Strategy, Logistics) - Biology (e.g. Bulls, Bears)	- technology has introduced several terms like 24X7, B2B, B2C, BPO - evolution in the decline of old and the emergence of new businesses - rate of knowledge out-datedness is high and hence need to stay updated.

An OVERVIEW of BCK DOMAIN

Domain Areas	Illustrative List
1. **Activities**	Manufacturing, Trade, Commerce (Aids to Trade or Auxiliaries to Trade), Services, etc.
2. **Scale**	Micro, Small, Medium, Large Enterprises,
3. **Geographic Scope**	Local, National, Multinational
4. **Ownership**	State-owned/ Public Sector, Private Sector
5. **Markets**	Natural Resources, Equipments, Commodities, Capital, Labour, Product Markets
6. **Stakeholders**	Entrepreneurs, Customers, Investors, Business Owners, Directors, Shareholders, Managers & Employees, Suppliers, Society at large.
7. **Functions**	Production, Marketing, Accounting Finance & Taxation, Human Resources.
8. **Focus**	Enterprise wide, Product-specific, Function or Department-specific.
9. **Concerns**	Survival, Profitability, Growth, Sustainability, Social Responsibilities, Governance, Values & Ethics
10. **Mode**	Traditional/ Physical/ Brick & Mortar, In-Store, Digital/ Online

11. **Academics**	Economics, Law, Philosophy, Psychology, Sociology

IMPORTANCE OF BCK FOR CHARTERED ACCOUNTANTS

- CAs are the **custodian of nation's resources**
- Each Business has its own peculiarities, legal / compliance requirements etc.
- CAs will be able to conduct the audit diligently only when they understand the **nuances** of the business whose accounts they prepare or audit.

SOURCES OF ENHANCING OF BCK

The following Methodologies to increase the level of BCK Quotient-

- slightly more conscious of various activities around us (Observation and Experience)
- Sources of BCK include - (a) News Papers - both General News and Business News, (b) Business Magazines, (c) Business Channels.

ECONOMIC VS NON-ECONOMIC ACTIVITIES

Economic Activity	**Non- Economic Activity**
- Activity related to production and consumption of goods and services **for economic gain**. - Motive is **livelihood** i.e. to earn money, - driven by self-interest - backed by **Pragmatic** philosophy - Creation of Wealth and Assets	- Activity performed with the aim of providing services to others without any monetary gain. - driven by Emotional and sentimental reasons - backed by **Idealistic** philosophy - Mental Satisfaction and Happiness.
Note- non-economic activities also have an economic dimension	

CHARACTERISTICS OF ECONOMIC ACTIVITIES

1. Economic activities are Income-Generating	**2. Economic Activities are productive**
- Economic activities (business, profession or service) help in earning money income. - A living is possible with money income earned from economic activities. - Income earned may be in cash or non-cash	- Earning of a livelihood implies participation in the process of production. - Productive Activities includes Farming, textiles, Manufacturing, Rendering of Services. - Production may be done either for self-consumption or for market. - Market oriented Production represents the supply side of economics

CHAPTER 2	BUSINESS ENVIROMENT

MEANING OF BUSINESS ENVIRONMENT

Definition of Business Environment	Environmental Influences on Business
General Definition:- Business environment represents all the forces (whether Internal or External), factors or conditions that exert some degree of impact on the business decisions, strategies and actions taken by the firm. **Gluek and Jauch:-** "Business Environment includes factors outside the Firm which can lead to opportunities for, or threats to the Firm. Although, there are many factors, the most important of the factors are socio-economic, Technological, Suppliers, Competitors, and Government".	- Each business organization operates in its unique environment. Environment influence businesses and also gets influenced by it. - To be successful, a business has to identify, appraise, and respond to the various opportunities and threats in its environment. - To survive, grow and prosper, the business must continuously monitor and adapt to the environment.

CHARACTERISTICS OF BUSINESS ENVIRONMENT

1. The Environment is Complex - An environment consists of many interrelated factors, events and understanding these factors are difficult tasks. - It is somewhat easier to understand environment in parts but difficult to understand in totality.	**2 . The Environment is Dynamic** - Business environment changes continuously due to changing needs of customers and competitions - E.g. The film industry generates revenue from ring tones / caller tunes rather than sale of music CD
3. The Environment is Multi-faceted in nature - Environment developments are taken differently by different people the same development is welcomed as an opportunity by one company while other company perceives it as a threat.	**4. The Environment has a far-reaching impact** - The growth and profitability of a Firm depends critically on the environment - Any environmental change has an impact on the organization in several different ways.

IMPORTANCE OF BUSINESS ENVIRONMENT

1. Determining Opportunities and Threats	Environment brings out opportunities for and threats to the business.
2. Giving Direction for Growth	It enables the business to identify the areas for growth and expansion of their activities.
***3.* Continuous Learning**	It motivates the managers to continuously update their knowledge, understanding and skills to meet the predicted changes in the area of business.
***4.* Image Building**	Environmental understanding helps the business organizations in improving their image by showing their sensitivity to the environment in which they operate. *For example, in view of the shortage of power, many companies have set up Captive Power Plants (CPPs) in their factories to meet their own requirement of power.*
***5.* Meeting Competition**	It helps the firms to analyze the competitors' strategies and formulate their own strategies accordingly.

EXCHANGES BETWEEN THE ORGANISATION AND ITS ENVIRONMENT

1. **Exchange of Information;**

Inflow	• The organization analyses variables in the external environment and generates important information, for planning, decision-making and control purposes. • Information may relate to economic activity, market conditions, technological developments, social and demographic factors, political-governmental policies, the activities of other organizations, etc.
Outflow	• The organization itself transmits information to several external agencies either voluntarily, inadvertently or legally

2. **Exchange of Resources:**

Inflow	• The organization receives inputs like men, money, materials, methods, machinery from the external environment.
Outflow	• The organization supplies necessary the goods and services to the external environment by satisfying the expectations and demands of the Stakeholders.

3. **Exchange of Influence and Power:**

What's hurry?

(a) <u>Some **simple goal-maintaining units**</u> / Firms manage to survive by way of coping with their changing external environments.

(b) Such enterprise are **passive in their operation** and these enterprise react only when external environment force them to do so. Also known as slow moving organization.

Example:- We all know government banks and organization are normally considered as conservative organizations and moves slowly to change themselves in response to environment

2. **Cautious Approach, i.e. Proceed with caution:**

Let's Adapt.

(a) These organizations **take intelligent approach** to response to environment.

(b) They seek to **monitor the changes in environment**, analyze their impact on their own goals and activities and translate their assessment in terms of specific strategies for survival, stability and strength.

(c) These are also known as adaptive organizations and adapt themselves to changing environment **quickly but takes a cautious approach** before taking actions.

Example:- We can say TATA companies may fall under this category

3. **Confident Approach, i.e. Dynamic response:**

Take it head-on.

(a) Some firms treat external environmental forces as partially manageable and controllable by their actions

(b) Such a response is proactive in nature and aims at **converting threat into opportunities**

(c) These Firms are **highly conscious and confident of their own strengths and the weaknesses** of their external environmental adversaries.

Example:- Dhirubhai Ambani, the founder of Reliance Industries could successfully mould several external environmental factors in his favour.

CHAPTER 3	BUSINESS ORGANISATIONS

IMPORTANT POINTS TO BE REMEMBER FOR EXAM (MCQ BASED)

ICICI Bank	✓ **Incorporation year** : 1994 ✓ **Headquarter** : Mumbai ✓ **Chairman**: Girish Chandra Chaturvedi ✓ **Present CEO :** Sandeep Bakshi ✓ **Chief Financial Officer** : Rakesh Jha ✓ It is the largest private sector bank in India ✓ ICICI Bank emerges as the biggest winner at IBA Banking Technology Awards 2018. ✓ ICICI Bank acquired Bank of Madura Ltd in 2001 and The Bank of Rajasthan in 2010.
HDFC Bank	✓ **Incorporation year** : 1994 ✓ **Headquarter :** Mumbai ✓ **Chairman**: Deepak S. Parekh ✓ **Present Head (MD) :** Aditya Puri ✓ **Slogan:-** We understand your world ✓ **Mission:** To be a World Class Indian Bank. ✓ It is the 2nd largest private sector bank in India ✓ HDFC Bank's business philosophy is based on five core values: Operational Excellence, Customer Focus, Product Leadership, People and Sustainability. ✓ Centurion Bank was acquired by HDFC Bank in 2008. ✓ It merged with Times Bank in February, 2000. ✓ HDFC is a market leader in e-commerce. It provides a series of digital offerings like - 10 second personal loan, Chillr, PayZapp, SME Bank, Watch Banking, 30-Minute Auto Loan, 15-minute Two-Wheeler Loan, e-payment gateways, Digital Wallet, etc.
Axis Bank	✓ **Incorporation year** : 1993 ✓ **Headquarter** : Mumbai, India ✓ Jointly founded by UTI, LIC and GIC ✓ Axis Bank is the 3rd largest private sector bank in India.
STATE BANK OF INDIA	✓ **Incorporation year** : 1806 (Founded by Bank of Calcutta and Bank of Bombay) ✓ **Headquarter :** Mumbai, India ✓ **Chairman/MD**: Rajnish Kumar ✓ **Old Name** - Imperial Bank of India, Later Renamed as State Bank of India in 1955.

	2018.
HP	✓ **Incorporation year** : 1939 ✓ **Headquarter** : California, US ✓ **Vision:** To create technology that makes life better for everyone, everywhere — every person, every organization, and every community around the globe.
APPLE	✓ **Present Head (CEO)** : Tim Cook ✓ **Earlier Name**:- Apple Computer Inc. ✓ **Vision:** To produce high-quality, low cost, easy to use products that incorporate high technology for the individual. ✓ Apple is theworld's largest information technology companyby revenue ✓ It ranked 8th on Forbes World's Largest Public Corporations List 2018. ✓ Apple's largest acquisition was that of Beats Electronics in August 2014 for US$3 billion. ✓ **Brands-** Mac, Mac Pro, Apple, iTunes, iPod, iPad, Nike+, Hermes, Watch OS.
WALMART	✓ **Headquarter** : Arkansas, US ✓ **Founder**:- Sam Watson ✓ **Slogan:** Save money. Live better ✓ **Competitors**- Aldi, Kmart, Kroger, Ingles, Target, Shopko, and Meijer, and Winn Dixie ✓ It ranked 1st on Fortune 500 Companies List in 2018.

CHAPTER 4	GOVERNMENT POLICIES FOR BUSINESS GROWTH

MEANING OF PUBLIC POLICY

Definition of Public Policy	Policies concerned with the General Welfare & Development of Society
General Definition:- Every Nation defines its mode of governance through a number of policies. These policies are described as Public Policies. **Thomas R. Dye:-** "Public policy is whatever government chooses to do or not to do" **Richard Rose:-** "Public policy is not a decision, it is a course or pattern of activity".	- The Policies are concerned with the general welfare and development of the Society. In India, Policies have been formulated keeping in view the prime character of the Indian Constitution, socio-economic problems and the level of moral values of the society. - The government's efforts like creation of education and employment opportunities, national defence, economic progress and stabilisation, law and order issues, creation of new states, anti-pollution legislation etc. are the result of substantive policy formulation.
Corporate Policies should be aligned with Public Policies	
- Growth of businesses are vitally dependent on prevailing government policies. Legal processes, tax policies, trade restrictions, any country's financial reporting are characterized by government policies. - Be it startups or big companies, everyone is impacted by such policies. - In fact, all corporate houses need to align their corporate policies according to the set government policies of the host nations.	

POLICY FRAMEWORK IN INDIA - A HISTORICAL SKETCH

In India, a lot of discourses, researches and experiments on public policies used to take place in the age-old universities of Takhshashila, Vaishali and Nalanda.

Policy Framed By	Public Policy About
Chanyaka guru of the emperor Chandragupta Maurya	"Arthashastra", a conceptual framework of state craft and public policy
Greek city states and Roman empire	centre of attraction
Ashoka the Great ruled Magadh	peace and harmony
Guptas	on taxes, trade and warfare

	5. Trading in Transferable Development Rights (TDRs) 6. Real Estate Business or Construction of Farm Houses 7. Manufacturing of Cigars, Cheroots, Cigarillos and Cigarettes, of Tobacco or of Tobacco Substitutes 8. Activities / sectors not open to Private Sector Investment, e.g. Atomic Energy and Railway Operations (other than permitted activities). Note: Foreign Technology Collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for Lottery Business and Gambling and Betting Activities.
5. Types of FDI	FDI may be categorized as under -

Horizontal FDI	**Vertical FDI**	**Conglomerate FDI**
FDI in the same industry abroad, as the Investor operates in Home Country.	FDI in a related industry abroad, which provides Raw Materials/Inputs/ Services to the Investors' Business in the Home Country.	FDI in a business that is unrelated to the Investor's existing business in the Home Country.
e.g. Dutch Mobile Company, investing in Mobile Co in India.	e.g. Publisher of Books based in Europe, acquiring Printing Facilities / Firms in USA.	e.g. Swiss Dairy Company investing in Telecom Sector abroad.

FOREIGN INSTITUTIONAL INVESTORS (FII)

- FIIs are large Foreign Groups with substantial investible funds.
- FIIs are registered abroad with a view to investing in other nations to invest in Equity Market, Hedge Funds, Pension Funds and Mutual Funds.
- FIIs have a strong research team which speculate to invest in a country with a possibility of strong return in Equity Market. So, these FIIs park their funds to fuel a bullish market and also engage in speculation activities.
- FIIs bring huge investments, but there is also a risk that they may leave a nation after off-loading their portfolios.
- Hence, Governments look for sustainable FDI Investment over FII Investment.

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CHAPTER 5	ORGANISATIONS FACILITATING BUSINESS

Business Facilitators constitute a category of Facilitators, who operate to ease the doing of business.

Three Layers of Business Facilitators

Layer 1: Point of Contact The persons who are in immediate day-to-day touch with routine business activities	**Layer 2: Auxiliaries or Aids to Trade** The persons who provide the necessary support to trade	**Layer 3: Funding and Non-Funding Institutions** GOI facilitates business by creating an institutional apparatus for the implementation of those policies.
1. Freight Forwarder- who organizes shipments for the business firms to get goods from the manufacturer or producer to a market **2. Business Incubator-** Who helps create and grow young businesses by providing them with necessary support and financial and technical services **3. Business Accelerator-** Who helps a budding business quickly launch a product **4. Financial Consultant-** who advises the business on the various sources, modes and methods of finance **5. Merchandiser-** who helps the business in its procurement and sales like Retail Store	**1. Transport-** plays a very important role in marketing and distribution of goods both within a country as well as outside. **2. Warehousing-** A Warehouse is an establishment for the storage of goods. **3. Banking and Finance-** Banking means acceptance of deposits from the public and giving credit or loans. **4. Insurance-** A contract whereby the Insurer agrees to protect the Insured, against risks of loss on payment Premium.	**Non-Funding Institutions** **1.** Reserve Bank of India (RBI), **2.** Securities and Exchange Board of India (SEBI), **3.** Competition Commission of India (CCI), **4.** Insurance Regulatory and Development Authority of India (IRDAI), **Funding Institutions** **5.** NABARD **6.** IFCI **7.** SIDBI **Not In Syllabus** **8.** EXIM

1. RESERVE BANK OF INDIA (RBI)

3. **Function-** (i) Leasing and Factoring Services to MSMEs. (ii) Assistance to the Service Sector including Transport, Health Care, Tourism, etc. (iii) Re-Financing of Loans and Advances given by the Primary Lending Institutions (iv) Discounting and Re-discounting of Bills resulting from Sale of Machinery to or manufactured by MSMEs. (v) Seed Capital and Soft Loan Assistance to special schemes such as National Equity Fund, Mahila Udyam Nidhi, etc. (vi) Financial Help to National Small Industries Corporation for **providing leasing, hire-purchase** and marketing support to Small Units. (vii) Financial Support to State Small Industries Development Corporations in its efforts **to provide scarce raw materials** and marketing facilities to Small Units

4. **Subsidiary-** SMERA Ratings Limited - for credit rating of MSMEs, Receivables Exchange of India Ltd (RXIL) - to enable faster realisation of receivables by MSMEs, India SME Technology Services Ltd - for technology advisory and consultancy services, India SME Asset Reconstruction Company Ltd (ISARC) - for speedier resolution of Non-Performing Assets (NPA) in the MSME Sector, MUDRA - Micro Units Development & Refinance Agency Ltd, SIDBI Venture Capital Limited (SVCL) - for Venture Capital Assistance.

Export and Import Bank of India (EXIM Bank) [Also see www.eximbankindia.in]

1. EXIM Bank was established by the Government of India, under the Export-Import Bank of India Act, 1981 and commenced operations in 1982.
2. It acts as an apex Banking Institution in Foreign Trade. It took over the operations of the international finance wing of IDBI, and became the principal financial institution in the field of international trade in India
3. It has the responsibility for controlling the country's EXIM Policy
4. **Role-** EXIM Bank serves as a growth engine for industries and SMEs through a wide range of products and services. This includes import of technology and export product development, export production, export marketing, pre-shipment and post-shipment and overseas investment.
5. **Function-**(i) It finances exports and imports of goods and services of India (ii) It finances exports and imports of goods and services of third world countries. (iii) It finances exports and imports of machinery on lease basis. (iv) Financing the Joint Ventures abroad (v) It provides counselling services to companies engaged in exports and imports.

CHAPTER 6	COMMON BUSINESS TERMINOLOGIES

(MCQ Based-Selected)

Acceptance- A very wide term that is used in context with financial agreements and contracts.
Administered Rates- The rates of interest which can be changed contractually by lender.
American Depository Receipt (ADR) - Depository receipts which are equal to a specific number of shares of company that have been issued in a foreign country.
Amortize- Amortize is to charge a regular portion of an expenditure over a fixed period of time.
Annuity- A series of payments of an equal amount at fixed intervals for a specified number of periods.
Annuity Due- An annuity whose payments occur at the beginning of each period.
Appreciation- Appreciation is an increase in value of an asset.
Arbitrage- The simultaneous purchase and sale of two identical commodities or instruments.
Audit- A careful review of financial records of an organisation to verify their accuracy.
Automated Teller Machines- Machines are basically used to conduct transactions with the bank, electronically through which money can be withdrawn and deposited.
Badla- Carrying forward of transaction form one settlement period to the next without effecting delivery or payment.
Balance Sheet- A statement of the financial position of a company at a single specific time.
Bank Rate- The rate of interest at which commercial banks can draw from the Reserve Bank of India for a long time period.
Bankruptcy- Economic insolvency, wherein the person's assets are liquidated, to pay off all liabilities
Base Price- The price of a security at the beginning of the trading day which is used to determine the day's lowest/highest price and the price range.
Basis Point- It is a measure of change in financial parameters such as interest, stock indices and market rates. It is 1/100 or 1%.
Bear Market- A market situation when share price are continuously falling.
Bears- Stock-market players are pessimists, who expects share prices or other type of investment to fall and sells quickly before the value of his holding declines.
Benchmarking- The process of comparing the products / services, or business processes of an enterprise against the best firm in the industry with the objective of improving quality and performance.

Personal Selling- Oral communication with prospective buyers to make a sale and develop relationships with them.
PESTLE- Political (P), Economic (E), Social (S), Technological (T), Legal (L) and (E) Environment (E) (Natural Environment)
Portfolio- Various type of securities of different companies operating in different sectors held by an investor.
Pre-Emptive Pricing- Setting low prices to discourage entry of new suppliers in the market.
Price Discrimination- When a firm charges a different price to different groups of consumers for an identical good or service, for reasons not associated with costs.
Price Sensitivity- The effect of change in price on customers.
Price Skimming- Charging high price for a short time where a new and innovative product is launched in the market.
Privatisation- It is a systematic process of Selling of public enterprises to private business enterprises.
Repo Rate- The rate at which banks borrow money from the Reserve Bank of India for short periods upto two weeks by pledging government securities.
Reverse Repo Rate- The rate of interest offered by RBI, when banks deposit their surplus funds with the RBI for short periods.
Risk- A probable chance of reduction in the actual returns than expected/ calculated.
Stock Split- An attempt to increase the number of outstanding shares of a company by splitting the existing shares.
Syndicated Loan- A very large loan extended by a group of small banks to a single borrower, especially corporate borrowers.
Target Marketing- Using appropriate advertisements to reach out to a group of consumers having similar characteristics.
Thin Market- A market in which there are comparatively low number of bids to buy and offers to sell.
Triple Bottom Line (TBL)- The equal emphasis on these triple Ps, viz. Profits, People and Planet is known as the TBL
Turnaround- The financial recovery of a company that has been performing poorly for an extended time.
Unique Selling Proposition (USP)- A unique selling proposition is a customer benefit that no other product can claim.
Value At Risk (VAR)- The sum or portion of the value that is at stake of subject to loss from a variation in prevalent interest rates.
Vision- A Strategic vision is a road map of a company's future.
Yield- It is the measure of return on investments in terms of percentage.
Zero Coupon Bond- A bond sold below par value with no annual interest but provides capital appreciation.
Zero- Down-Payment Mortgage- Zero-down-payment mortgage is a type of mortgage given to a buyer who does not make any down payments while borrowing.