

CONTENTS

Preface	PAGE <i>I-5</i>
----------------	--------------------

1 **NATURE OF BUSINESS**

1.1	Introduction	<i>1</i>
1.2	Economic and Non-economic Activities	<i>2</i>
1.3	Types of Economic Activities	<i>2</i>
1.4	Business, Profession and Employment (Inter-related)	<i>3</i>
1.5	Business, Profession and Employment - A Comparison	<i>3</i>
1.6	Business - An Economic Activity	<i>5</i>
1.7	Features of Business	<i>5</i>
1.8	Features of the Modern Business	<i>6</i>
1.9	Nature of Business Organisations	<i>8</i>
1.10	Functions of Business	<i>11</i>

2 **SCOPE OF BUSINESS**

2.1	Introduction	<i>17</i>
2.2	Industry (Manufacturing Sector)	<i>18</i>
2.3	Commerce (Service Sector)	<i>19</i>
2.4	Trade	<i>21</i>
2.5	Auxiliaries to Trade	<i>21</i>
2.6	Relationship between Industry and Commerce	<i>23</i>
2.7	Growth and Importance of Service Sector	<i>23</i>

3 **BUSINESS AND ENVIRONMENT INTERFACE**

3.1	Introduction	<i>29</i>
------------	--------------	-----------

	PAGE
3.2 System	30
3.3 Business as a System	30
3.4 Features of Business System	31
3.5 Components of a System	32
3.6 Sub-systems of Business System	33
3.7 Benefits of System	34
3.8 Limitations of System Approach	34
3.9 Integration of Conflicting Goals	34
3.10 Economic Systems	35
3.11 Factors Affecting Economic Systems	35
3.12 Types of Economic Systems	36
3.13 Business System and Economic System	37
3.14 Business Environment	39
3.15 Interaction between Economic and Non-economic Environment	45
3.16 Relationship between Environment and Business	47
3.17 Techniques for Environmental Analysis	49

4

BUSINESS OBJECTIVES (PROFIT MAXIMISATION vs. SOCIAL RESPONSIBILITIES OF BUSINESS)

4.1 Introduction	52
4.2 Business Objectives	52
4.3 Profit Maximisation as an Objective of Business	56
4.4 Social Responsibility of Business	58
4.5 Nature of Social Responsibility	59
4.6 Why Social Responsibility	59
4.7 Scope of Social Responsibility	60
4.8 Historical Perspectives of Social Responsibility	61
4.9 Philosophical Perspectives of Social Responsibility	61
4.10 Arguments in Favour of Social Responsibility	61
4.11 Arguments Against Social Responsibility	62
4.12 Barriers to Social Responsibility	63
4.13 Stakeholders and Social Responsibility	63
4.14 Compromise between Conflicting Groups	66
4.15 Profit Maximisation and Social Responsibility	67

Contents

I-9

PAGE

4.16	Social Responsiveness and Social Audit	67
4.17	Elements of Social Responsiveness	68
4.18	Advantages of Social Audit	68
4.19	Trusteeship Model	68

5

ENTREPRENEURSHIP (CONCEPT AND NATURE)

5.1	Introduction	71
5.2	Meaning of Entrepreneur	72
5.3	Entrepreneurship	73
5.4	Intrapreneur	73
5.5	Entrepreneur v. Intrapreneur	74
5.6	Entrepreneur v. Manager	74
5.7	Nature of Entrepreneurship	74
5.8	Importance of Entrepreneurship	75
5.9	Factors Affecting Entrepreneurship	76
5.10	Types of Entrepreneurs	77
5.11	Functions of Entrepreneurs	78
5.12	Qualities of Entrepreneurs	79
5.13	Entrepreneurial Opportunities in India	80

6

SETTING UP A BUSINESS ENTERPRISE

6.1	Introduction	83
6.2	Factors Affecting Setting up a Business Enterprise	83
6.3	Business Plan	86
6.4	Feasibility Study	89

7

FORMATION OF A COMPANY

7.1	Introduction	94
7.2	Promotion	94
7.3	Registration/Incorporation	99
7.4	Floatation/Capital Subscription	101

	PAGE
7.5 Commencement	<i>102</i>
7.6 Documents for Formation of a Company	<i>103</i>

8

LOCATION OF BUSINESS ENTERPRISE

8.1 Introduction	<i>114</i>
8.2 Weber's Theory of Location	<i>115</i>
8.3 Sargent Florence's Theory of Location	<i>120</i>
8.4 Factors affecting Location	<i>122</i>
8.5 Determination of the Site	<i>125</i>
8.6 City <i>v.</i> Village - A Comparison	<i>125</i>
8.7 Government Policy on Plant Location	<i>126</i>

9

PLANT LAYOUT AND BUSINESS SIZE

9.1 Introduction	<i>134</i>
9.2 Designing an Operations System	<i>135</i>
9.3 Plant Layout	<i>136</i>
9.4 Objectives of Layout	<i>137</i>
9.5 Importance of Layout Planning	<i>137</i>
9.6 Types of Layout	<i>138</i>
9.7 Product Layout/Line Layout	<i>138</i>
9.8 Process/Functional Layout	<i>140</i>
9.9 Fixed Position Layout	<i>144</i>
9.10 Group Layout	<i>145</i>
9.11 Storage Layout	<i>145</i>
9.12 Marketing Layout	<i>145</i>
9.13 Project Layout	<i>145</i>
9.14 Process of Plant Layout	<i>146</i>
9.15 Factors Affecting Plant Layout	<i>146</i>
9.16 Business Size	<i>147</i>
9.17 Factors affecting Business Size	<i>148</i>

10

FORMS OF BUSINESS ORGANISATIONS

10.1	Introduction	<i>151</i>
10.2	Types of Business Enterprises	<i>151</i>
10.3	Forms of Private Sector Enterprises	<i>153</i>
10.4	A comparative Analysis of different forms of Business Organisations	<i>178</i>

11

CHOICE OF A FORM OF ORGANISATION

11.1	Introduction	<i>183</i>
11.2	Factors Affecting Choice of a Suitable form of Business Enterprise	<i>183</i>
11.3	Balance between Different Factors	<i>185</i>
11.4	Expanding the Existing Organisation	<i>186</i>

12

BUSINESS COMBINATIONS

12.1	Meaning	<i>191</i>
12.2	Objectives of Business Combinations	<i>192</i>
12.3	Causes of Business Combinations	<i>192</i>
12.4	Types of Business Combinations	<i>193</i>
12.5	Benefits of Business Combinations	<i>198</i>
12.6	Limitations of Business Combinations	<i>199</i>
12.7	Forms of Business Combinations	<i>200</i>
12.8	Federations	<i>200</i>
12.9	Consolidations	<i>201</i>
12.10	Associations	<i>202</i>
12.11	Trade Associations	<i>202</i>
12.12	Chambers of Commerce	<i>206</i>
12.13	Informal Agreements	<i>208</i>
12.14	Differences between Trade Associations and Chambers of Commerce	<i>208</i>
12.15	Mergers and Acquisitions	<i>209</i>

13**FINANCIAL PLANNING**

13.1	Meaning and Importance of Finance	217
13.2	Business Finance	217
13.3	Financial Management : Meaning	218
13.4	Objectives of Financial Management	218
13.5	Scope of Financial Management	222
13.6	Functions of Financial Management	223
13.7	Financial Planning	225
13.8	Objectives of Financial Planning	225
13.9	Importance of Financial Planning	225
13.10	Process of Financial Planning	226
13.11	Financial Plans	226
13.12	Capital Requirements	227
13.13	Classification of Capital Requirements	227
13.14	Importance of Working Capital	230
13.15	Factors affecting Working Capital	230
13.16	Capitalisation	232
13.17	Capitalisation and Capital	233
13.18	Theories (Basis) of Capitalisation	233
13.19	Over Capitalisation	235
13.20	Watered Capital	238
13.21	Watered Capital and Over-capitalisation	238
13.22	Under-capitalisation	238
13.23	Over-capitalisation and Under-capitalisation - A Comparison	240
13.24	Capital Structure	241
13.25	Capital Structure and Capital Gearing	241
13.26	Capital Structure and Financial Structure	242
13.27	Capital Structure and Capitalisation	243
13.28	Optimum Capital Structure	243
13.29	Does an Optimum Capital Structure Exist?	243
13.30	Features of a Sound Capital Structure	244
13.31	Factors Affecting Capital Structure	244

14**SOURCES OF FINANCE**

14.1	Introduction	249
14.2	Classification of Sources of Finance	250
14.3	Share Capital	251
14.4	Preference Shares	255
14.5	Venture Capital	257
14.6	Retained Earnings	260
14.7	Debentures	261
14.8	Institutional Financing	265
14.9	Public Deposits	267
14.10	Lease Finance	268
14.11	Hire Purchase	271
14.12	Trade Credit	272
14.13	Factoring	273
14.14	Bills of Exchange	273
14.15	Bank Financing	273
14.16	Inter-corporate Loans and Advances	274
14.17	Commercial Paper	274
14.18	Advances from Customers	275
14.19	Bank Guarantee	275

15**STOCK EXCHANGE**

15.1	Introduction	277
15.2	Meaning of Stock Exchange	278
15.3	Features of Stock Exchange	279
15.4	Functions of Stock Exchange	279
15.5	Role/Significance of Stock Exchange	280
15.6	Stock Markets in India	281
15.7	Method of Trading	284
15.8	Listing of Securities	285
15.9	Over the Counter Exchange of India (OTCEI)	286

	PAGE
15.10 National Stock Exchange (NSE)	288
15.11 The Securities and Exchange Board of India (SEBI)	289
15.12 Speculation	291
15.13 Clearing House	298