



Dated : 7th April 2021

VIRTUAL CLASSES  
ORGANISED BY BOS, ICAI

**FOUNDATION LEVEL**  
PAPER 4 PART II  
BUSINESS AND COMMERCIAL KNOWLEDGE

Faculty : **CA Arjit Sethi**



## **Paper 4**

Business Economics and Business & Commercial Knowledge

100 MCQs of 1 Mark Each = **100 Marks**

To be Done in **2 hours**

**Part A** : Business Economics - **60 MCQs of 1 Mark Each**

**Part B** : Business & Commercial Knowledge - **40 MCQs of 1 Mark Each**

These Lectures will cover Part B : Business & Commercial Knowledge



**JWAAJ UNIVERSITY, GWALIOR (M.P.)**

Answer Sheet Serial No. \_\_\_\_\_

**IMPORTANT NOTE**

1. Use only HB Pencil to darken the oval and all marks should be properly demarcated.  
 2. If you want to change your mark, then erase the previous mark completely, and do not make any other marks on the sheet otherwise your sheet will be rejected.

**Wrong Markings**      **Correct Marking**

Mark after each of the signs

1.    2.    3.    4.    5.    6.    7.    8.    9.    10.    11.    12.    13.    14.    15.    16.    17.    18.    19.    20.    21.    22.    23.    24.    25.    26.    27.    28.    29.    30.    31.    32.    33.    34.    35.    36.    37.    38.    39.    40.    41.    42.    43.    44.    45.    46.    47.    48.    49.    50.    51.    52.    53.    54.    55.    56.    57.    58.    59.    60.    61.    62.    63.    64.    65.    66.    67.    68.    69.    70.    71.    72.    73.    74.    75.    76.    77.    78.    79.    80.    81.    82.    83.    84.    85.    86.    87.    88.    89.    90.    91.    92.    93.    94.    95.    96.    97.    98.    99.    100.

**Roll No.**

NAME OF CANDIDATE (IN CAPITAL LETTERS)	FATHER'S NAME (IN CAPITAL LETTERS)
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SECTION - A	SECTION - B	SECTION - C	SECTION - D
1	26	51	76
2	27	52	77
3	28	53	78
4	29	54	79
5	30	55	80
6	31	56	81
7	32	57	82
8	33	58	83
9	34	59	84
10	35	60	85
11	36	61	86
12	37	62	87
13	38	63	88
14	39	64	89
15	40	65	90
16	41	66	91
17	42	67	92
18	43	68	93
19	44	69	94
20	45	70	95
21	46	71	96
22	47	72	97
23	48	73	98
24	49	74	99
25	50	75	100

Sign within the white space below only

SIGNATURE OF INVIGILATOR	SIGNATURE OF CANDIDATE
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**OMR Sheet**  
For example purpose only



**(MCQs to be answered on OMR Sheet)**

**Example of MCQs that will be asked in the Examination**

Q) Which of the following is not an Economic Objective of a Business?

- A. Earning Profits
- B. Increasing Shareholders' Wealth
- C. Sales Growth
- D. Conservation of Natural Resources



**(MCQs to be answered on OMR Sheet)**

**Example of MCQs that will be asked in the Examination**

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- C. Sales Growth
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**FOUNDATION LEVEL**

**PAPER 4 PART II**

**BUSINESS AND COMMERCIAL KNOWLEDGE**

**Chapter 1**

**An Introduction to  
Business and Commercial Knowledge**

Faculty : **CA Arjit Sethi**



See around,

Do you see material things?

Laptop, Table, Chair, Television, Other Furniture, Clothes, Utensils, Fan, AC, Lights, Mirror, Lamps, etc.

Did you buy these directly from the producer?

**Or**

There was a chain of traders/shopkeepers till it reached your home?

Was it gifted to you?

**Or**

You paid for these things?



## Quick Quiz #1

What is the actual flow of trade in your opinion?

- A. Producer - Trader - Wholesaler - Consumer
- B. Wholesaler - Trader - Producer - Consumer
- C. Trader - Consumer - Producer - Wholesaler
- D. Producer - Wholesaler - Trader - Consumer





## Quick Quiz #1

What is the actual flow of trade in your opinion?

- A. Producer - Trader - Wholesaler - Consumer
- B. Wholesaler - Trader - Producer - Consumer
- C. Trader - Consumer - Producer - Wholesaler
- D. **Producer - Wholesaler - Trader - Consumer**



## Domains of BCK

- **BCK is Vast**

Retail Trade; door to door selling, street vendors, weekly bazaars, market places, malls, company retail stores, E-Commerce, etc.

- **BCK is Eclectic (Multidisciplinary)**

It is broad, it relates to different disciplines; marketing, finance, operations, human behaviour, economics, and ethics.

- **BCK is ever evolving and expanding**

Technology is ever changing and the business are adding new concepts to meet the changing demands of the consumers. Some concepts like 24X7, BPO, B2B, B2C, Startups.

Obsolescence of old technology and products.





## Quick Quiz #2

What are the two animal references in Stock Market Jargon?

- A. Cows and Sheep
- B. Lion and Deer
- C. Bulls and Bears
- D. Cats and Dogs



## Quick Quiz #2

What are the two animal references in Stock Market Jargon?

- A. Cows and Sheep
- B. Lion and Deer
- C. **Bulls and Bears**
- D. Cats and Dogs



## Importance of BCK for Chartered Accountants

Peculiarities of each business based on;

Products, Inventory, Revenue, Profit

Chartered Accountants can add value in terms of strategic and financial health of an organisation, **ONLY WHEN** they understand the nuances of a business.

BCK is **VAST, ECLECTIC** and **EVER CHANGING**.

We **need to be updated** with the latest changes!  
Always keep a Learner's Hat on!



## Importance of BCK for Chartered Accountants

BCK is important for people from all streams of education!

**Science needs Commerce and Commerce needs Science.**

COVID19 vaccine is the best example of Science and Commerce go hand in hand. **How?**

Ever Changing International Relations ---> Economic Impact --->  
Changing Business Strategies

The need of the hour and shall always be to read, read and read.  
**But what and from where?**



# Importance of BCK for Chartered Accountants

## Business Magazines

Business World



Business India



Business Today



India Forbes

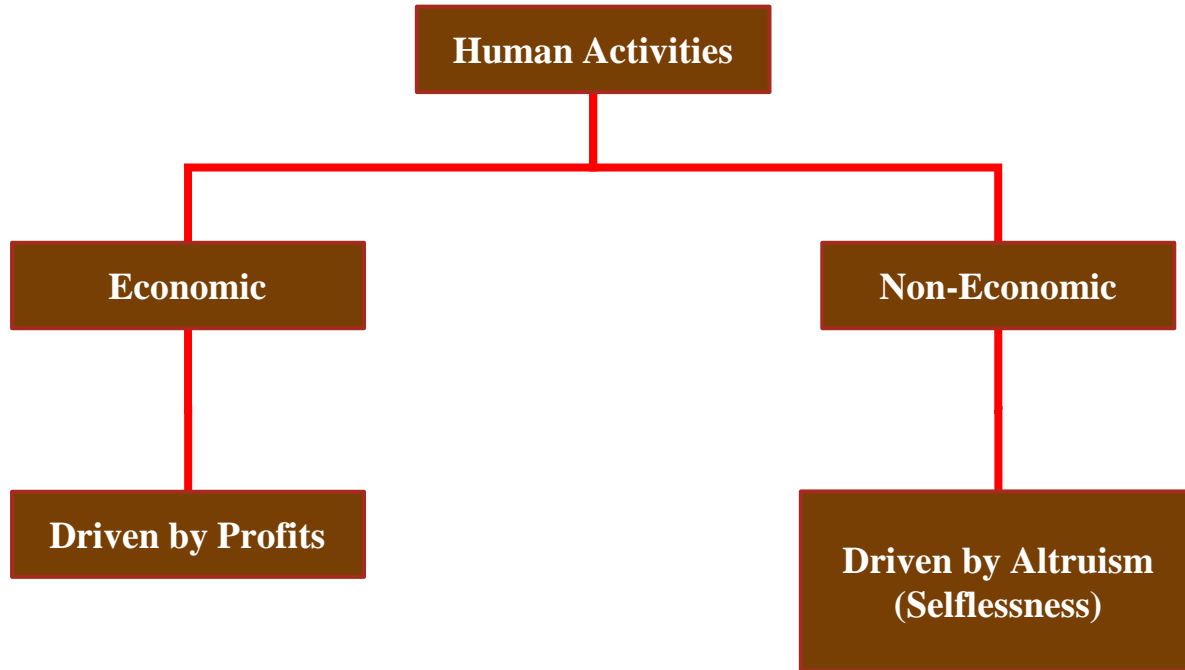


## Business Channels





# Human Activities : Economic & Non-Economic







## Quick Quiz #3

Identify the activity as Economic and Non-Economic

#	Activity	Economic	Non-Economic
A	Food Stall		
B	Tree Plantation Drive by College Students		
C	Sewing Factory		
D	Langar at a Gurudwara		
E	Mother Cooking Food		
F	Rickshaw Puller		
G	Cement Factory		
H	Fruits Wholesaler		



## Quick Quiz #3

Identify the activity as Economic and Non-Economic.

Example : B) Economic, C) Non Economic

#	Activity	Economic	Non-Economic
A	Food Stall		
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H	Fruits Wholesaler		



## Characteristic of Economic Activities

- Economic Activities **are Income Generating** : Monetary and Non-Monetary (in kind)
- Economic Activities **are Productive** : Examples: Farming, Infrastructure building, Handicrafts, Information Technology Services Providers, Legal Services, Teachers, Traders, Transporters, Logistics Suppliers, Hospitals, Clinics, etc. They create products and services.

The Supply Side of Economy



## Characteristic of Economic Activities

- Economic Activities **promote Consumption** : Investment in Productive activities creates jobs. Thus, disposable income in the hands of people increases. They then spend it for their needs and wants.  
Thus, Demand side of Economy
- Economic Activities **add to Savings, Investment and Wealth** : Unspent income is the savings. Banking Sector, Non-Banking Financial Companies, Gold, Real Estate are the channels of Investment and Wealth Creation in an Economy.



## Quick Quiz #4

Economic Activities can be divided into which of the following?

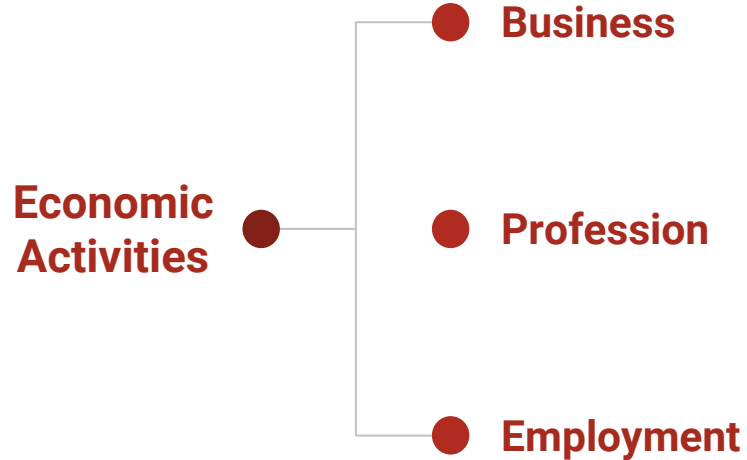
- A. Business
- B. Profession
- C. Employment
- D. All of the Above



## Quick Quiz #4

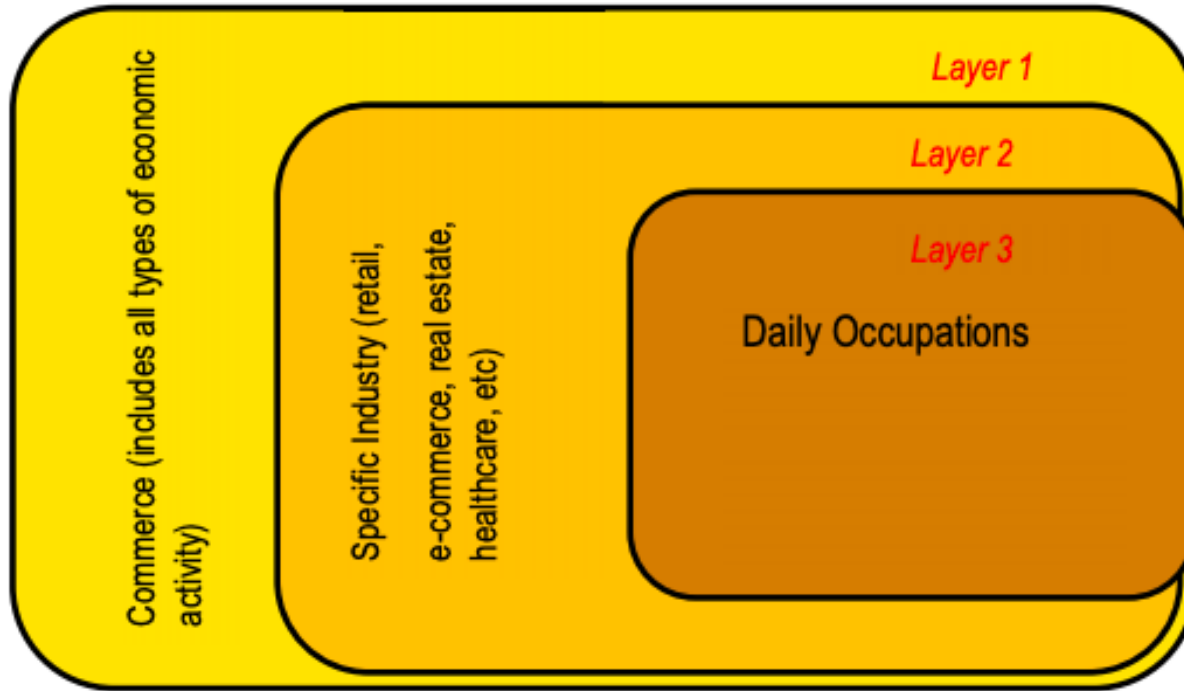
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# BUSINESS

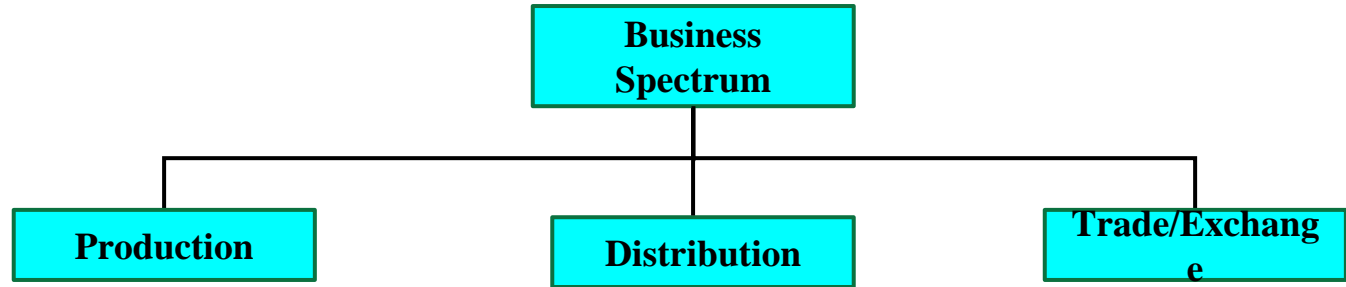


Three layers of understanding business



# BUSINESS

It comes from the word “**Busy**”.



- To understand Business at a **Broader Level**:

An Economic activity that comprises of the entire spectrum of activities pertaining production, distribution and trade (exchange) of Goods and Services.







# BUSINESS

- To understand Business at **Middle Level**:

Each level of of the above spectrum has multiple activities each of which comprises of a Business

Example : Shopkeepers selling online, Cab Owners, Transporters, Hospitals, Small restaurant owners, etc.

- To understand Business at a **Narrow Level**:

One's usual occupation creating, owning and operating a setup to earn money.

**It has to be a usual occupation, and not just one time activity.**



## Quick Quiz #5

We can classify all similar businesses relating to a particular activity as?

- A. Business
- B. Industry
- C. Company
- D. Organisation



## Quick Quiz #5

We can classify all similar businesses relating to a particular activity as?

- A. Business
- B. Industry
- C. Company
- D. Organisation

Example; Banking Industry, Real Estate Industry, Insurance Industry, etc.



## Profession

Rendering specialised services, necessitating prescribed qualification and adherence to a code of conduct.

Examples;

- Accountancy (CA)
- Legal (Lawyers)
- Architecture
- Medicine (Doctors)
- Engineering (Civil)



## Employment

Working under a contract of service between employer and employee as per job description, with a fixed periodic compensation. Requiring minimum qualification.

Example;

People employed in various companies at different levels of corporate hierarchy.



## Business Vs. Profession Vs. Employment

S. No.	Basis of distinction	Business	Profession	Employment
1	Meaning	Entire spectrum of market oriented activities coming under industry, trade and commerce.	Independent rendering of services of specialised nature based on prescribed qualifications under the aegis of a professional body that also prescribes a code of conduct.	Rendering of services under a contract of employment for wages / salaries. Also, called wage-employment.
2	Mode of establishment	Entrepreneur's decision and other legal formalities, if necessary	Membership of a professional body and certificate of practice.	Letter of Appointment and service agreement.
3	Source of livelihood	Profit	Professional Fee.	Wages & Salaries.
4	Prescribed qualifications	None	Strictly prescribed	Minimum qualifications for each type of job



## Business Vs. Profession Vs. Employment

5	Ethical guidance	Founder's values	Professional codes	Employer's codes
6	Investment	Substantial requirement	Some requirement e.g. Office/ Chamber / Clinic	None
7	Personal autonomy / freedom	The most- you are your own boss	Quite a bit	Not much
8	Popular psychological motive	Economic achievement	Service to the clients/ society	Livelihood
9	Certainty of income	Least. However either way.	Quite a bit	The most. Contractually determined periodic income
10	Stability of tenure / Durability of occupation	Uncertain	Quite certain	Quite certain
11	Transfer of interest/ succession	Possible	Not possible	Not possible



## Quick Quiz #6

Which of the following economic activities has the highest certainty of income?

- A. Profession
- B. Employment
- C. Business
- D. All of them





## Quick Quiz #6

Which of the following economic activities has the highest certainty of income?

- A. Profession
- B. **Employment**
- C. Business
- D. All of them



## Quick Quiz #7

It is fairly easy to transfer the interest/succession of profession.

- A. True
- B. False



## Quick Quiz #7

It is fairly easy to transfer the interest/succession of profession.

- A. True
- B. **False**



## Characteristics of Business

- Businesses **create Jobs**
- They **add value to the GDP** (Gross Domestic Product)  
i.e the economy as a whole
- They are **investment intensive**
- It **demands time to flourish** a business and the **success is uncertain**.
- Business are **Systematic and Organised**
- Driven by **Profit**



## Quick Quiz #8

Will it be okay, if business are only concerned with profits, at the cost of our environment and the recent case of manipulation of personal data over the internet?





## Quick Quiz #8

Will it be okay, if business are only concerned with profits,  
at the cost of our environment and the recent case of  
manipulation of personal data over the internet? **No**





## Sustainable Objectives of Business

**Profitability + People wellbeing + Planet Sustainability**

**Why should businesses be concerned about people and environment?**

- **Interdependence** : Resources from the Society
- **Multiple Stakeholders** : Investors/Vendors/Employees/Customers
- **Profit** : The Minimum Concept
- **Customers at the Center**
- **Performance** is precursor to profits



# Sustainable Objectives of Business

Some businesses being responsible towards their Social Responsibilities

Responsible businesses: wishful thinking or meaningful enterprise?			
<p>Asbah- India's first social enterprise focused on women</p> 	<p>ITC- The Greenest Hotel Chain in the World</p> 	<p>Lemon Tree Hotels- providing employment to persons with disabilities</p> 	<p>Hindustan Unilever Ltd.'s Project Shakti for Empowerment of Rural Women</p> 





# Forms of Business Organisations

**Sole  
Proprietorship**

**Hindu Undivided  
Family (HUF)**

**Partnership**

**Limited Liability  
Partnership (LLP)**

**Company**



# Forms of Business Organisations

## Sole Proprietorship

General Store, small online seller, weekly bazaar shops, traders, agents, etc.

- One-Person Setup : Autonomy, One's own boss
- Small Scale : More Customer Approachable
- Most abundant in India
- Contribution to GDP and Exports - Strong
- Easy Succession of Business
  
- Product Quality not of Global Standards
- Unorganised and Informal : Scarcity of Capital
- Unlimited Liability of the Owner : Risky
- Lack of Employee Welfare
- Uncertain, as linked to owner's wellbeing



## Quick Quiz #9

Why do all the risks of the sole proprietorship accrue to the owner?

- A. Because all the profits also accrue to them
- B. Because lenders don't take any risks
- C. Because employees are fairly low income in such setup
- D. Governments are out of funds, hence sole proprietor takes all risks



## Quick Quiz #9

Why do all the risks of the sole proprietorship accrue to the owner?

- A. Because all the profits also accrue to them
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# Forms of Business Organisations

## Hindu Undivided Family (HUF)

Definition of Hindu includes Buddhist, Jain and Sikh Families too.

Similar to Sole Proprietorship but it is automatically formed based on Hindu ancestry, including wives and daughters.

- Formed in a Joint Family Setup, where members are married
- Marriage is a defining factor to call it an HUF
- Capital is huge, as multiple members pool in funds
- Quick Decisions : Head of the Family “Karta” takes decisions
- Separate Legal Status under Income Tax Act
  
- Automatic Co-Owners by birth. Members called “Coparceners”
- Unlimited Liability of the Karta
- Difficult to sustain in changing family dynamics
- Succession is a legal trouble



## Quick Quiz #10

Which act governs the Hindu Undivided Family form of Business?

- A. Companies Act, 2013
- B. Indian Contract Act, 1872
- C. Hindu Succession Act, 1956
- D. Hindu Marriage Act, 1955



## Quick Quiz #10

Which act governs the Hindu Undivided Family form of Business?

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# Forms of Business Organisations

## Partnership

Contractual Co-ownership between two or more people

- Contractual agreement in place
- Capital infusion from partners
- Profit as well as Risk Sharing
- Can be formed for any form of Economic Activity
  
- Unlimited Liability of Partners
- Slow decision making due to mutual agency
- Fate of business depends on personal wellbeing of partners and their common interests
- Succession is not easy





## Quick Quiz #11

What is the upper limit on the number of partners in a Partnership?

- A. 5 for banking firms and 8 for other firms
- B. 10 for banking firms and 50 for other firms
- C. 15 for banking firms and 30 for other firms
- D. 10 for banking firms and 20 for other firms



## Quick Quiz #11

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# Forms of Business Organisations

## Limited Liability Partnership (LLP)

Liability of the Partners is Limited

- Mandatory registration under Limited Liability Partnership Act, 2009
- Designated Partners and Separate Legal Entity
- **Hybrid Form** : Both features Corporate Form + Proprietary Form
- Perpetual Succession. Least risk of going concern
- No upper limit on Number of Partners
- All partners act as agents of the LLP
- Limited Liability as separate legal entity
  
- Loads of Compliances to follow under the LLP Act, 2009



## Quick Quiz #12

Which apex body of regulation oversees the governance of LLP?

- A. Reserve Bank of India
- B. Ministry of Commerce and Industry
- C. Ministry of Corporate Affairs
- D. Ministry of Micro, Small and Medium Enterprises



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# Forms of Business Organisations

## Company

Body Corporate formed under Companies Act, 2013

- Flag Bearer of Entrepreneurship in India
- Limited Liability
- Separate Legal Status
- Separation of Ownership from Management
- Strong Legal Compliances, like Articles of Association, Memorandum of Association, Meeting Details, Annual Filings with RoC
- Getting books of accounts audited by professionals increases credibility



# Forms of Business Organisations

Features of Private Company	Features of Public Company
Minimum number of members: 02	07
Maximum number of members: 200	No limit
There are restrictions on transfer of shares	The shares may be freely tradable on stock exchange via listing
Minimum number of directors: 02	03
Private companies are exempted from constituting such committees of the Board of Directors as Audit Committee, CSR Committee, Stakeholder Committee and the Nomination and Remuneration Committee	These committees are to be mandatorily constituted

## Company

### Private Vs. Public Company

Companies whose shares are traded in the stock market



## Forms of Business Organisations

### Some interesting new concepts in Company form of Business

- **One Person Company** : Introduced to increase the credibility of Sole Proprietorships in India. Though still in its inception stage, but there have been a decent response from the business owners.
- **Small Company** : Based on the capital amount introduced, a company may be termed as small. This is to bring the small scale industries to global competitive standards with more compliant laws.
- **Dormant Company** : New and innovative form of company structure, that can be created for a future project or to hold an intellectual property, till the time actual functioning begins.





## Quick Quiz #13

In recent news articles from around the world, there has been an increasing trend of “Privatisation” of Companies. Why do you think that’s happening?

- A. To save taxes
- B. As publicly trading companies have huge costs of compliance
- C. To make personal wealth
- D. There is no such trend



## Quick Quiz #13

In recent news articles from around the world, there has been an increasing trend of “Privatisation” of Companies. Why do you think that’s happening?

- A. To save taxes
- B. As publicly trading companies have huge costs of compliance
- C. To make personal wealth
- D. There is no such trend



## Quick Quiz #14

Which is the largest company in India in terms of Market Capitalisation? (Price of a share X No. of Shares)

- A. Tata Consultancy Services Ltd.
- B. Reliance Industries Ltd.
- C. HDFC Bank Ltd.
- D. Bharti Airtel Ltd.



## Quick Quiz #14

Which is the largest company in India in terms of Market Capitalisation? (Price of a share X No. of Shares)

- A. Tata Consultancy Services Ltd.
- B. Reliance Industries Ltd. (~INR 15 lac crores)
- C. HDFC Bank Ltd.
- D. Bharti Airtel Ltd.



## Summary

- **What is Business and Commercial Knowledge?**
- **How it is relevant for students of all streams.**
- **BCK and its importance for Chartered Accountants**
- **Human Activities - Economic and Non-Economic**
- **Economic Activities : Business, Profession, Employment**
- **Understanding Business in Depth**
- **Forms of Business Organisations**
- **Commercial Knowledge Regular Updates**



Dated : 7th April 2021

**Thank You!**  
**Stay Hydrated.**  
**Stay Safe.**

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