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## UNIT 14 SOME BUSINESS TERMS – I

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### Structure

- 14.0 Objectives
- 14.1 Introduction
- 14.2 Business Terms
  
- 14.3 Let Us Sum Up
- 14.4 Key Words
- 14.5 Answers to Check Your Progress
- 14.6 Terminal Questions

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### 14.0 OBJECTIVES

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After studying this unit, you should be able to

- state the meanings of acquisition and affiliate marketing;
- explain what is meant by balance sheet, brand and business plan;
- describe the objectives of digital India;
- explain the difference between economic growth and economic development;
- describe the meaning of globalisation;
- state the importance of human resources and
- explain the meaning of incubation.

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### 14.1 INTRODUCTION

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In business writings and speaking, often such words are used which are not often covered by standard English. These words and phrases have acquired a status of “office jargon” in the business world. In this era of information technology, many new words and phrases have been added to this list and it is expected that while working in business environment, one should be familiar with this terminology and try to use the same in right perspective. Furthermore in recent years, the words such as Digital India and demonetisation have become in the Indian context. In this age of entrepreneurship and start-ups, the word ‘Incubation’ has acquired much importance. In this unit, the meaning and relevance of a few of such words and phrases will be described.

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### 14.2 BUSINESS TERMS

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Although there is a long list of the words that are commonly used in the business world, a few selected words/phrases are given here along with the contexts when they are used.

#### 1. Accounts

The term account has many connotations depending on the context. In business, it refers to a record-keeping or ledger activity. It has many different applications in the financial industry.

In banking, an account refers to an arrangement of a customer's financial [assets](#) and holds them on behalf of the customer at his or her discretion.

In a business organization, "Account" refers to a statement summarizing the record of transactions in the form of credits, debits, accruals, and adjustments that have occurred and have an effect on an asset, equity, liability, or past, present or future revenue. It can also refer to a [brokerage account](#), which holds customer assets at a licensed brokerage firm. In this type of account, an investor deposits money or other assets and the broker places trades on behalf of the client. Businesses are obligated to produce an annual set of accounts. If they are listed on the stock exchange, they must also show half-year profits (information regarding profits six months into the financial year).

## **2. Accounts Payable**

When a business enterprise purchases goods on credit which needs to be paid back in a short period of time, it is known as Accounts Payable. It is treated as a liability and comes under the head 'current liabilities'. Accounts Payable is a short-term debt payment which needs to be paid to avoid default.

## **3. Accounts Receivable**

This is just opposite to accounts payable. Accounts receivable is any money the customers owe to a business enterprise for the goods or services they purchased from it in the past. This money is typically collected after a few weeks, and is recorded as an [asset](#) on the company's balance sheet.

## **4. Annual Equivalent Rate (AER)**

A quote of what interest paid on savings and investments would be. It is calculated by adding each interest payment to the original deposit, then working out the next interest payment, compounding the interest.

The formula for AER is:

$$(1 + i/n)^n - 1$$

Where:

i = the stated annual interest rate

n = the number of compounding periods in one year

## **5. Annual Percentage Rate (APR)**

An annual percentage rate (APR) is the [interest rate](#) the borrower has to pay to the lender, such as the bank or the financial institution. APR is also the annual rate of interest paid on investments without accounting for the compounding of interest within that year.

## 6. Acquisition

When a company purchases most or all of another company's shares to gain control of the latter, it is termed as acquisition. Although merger and acquisition of large companies is heard often as it makes news, in reality, mergers and acquisitions occur more regularly between small- to medium-size firms than between large companies. Recently, Reliance Industries Ltd. (RIL) acquired Future group's retail business (Figure 14.1).

### Reliance acquires Future Group's retail business

The acquisition including Reliance taking over all debts, liabilities, retail stores and a minority stake in its consumer business, with an investment of about Rs 27,513 crores, involves merger of five Future Group's listed entities including Future Retail, Future Lifestyle and Future Consumer - into Future Enterprises (FEL), which currently houses the group's retail back-end infrastructure.

Source: The Economic Times

Figure 14.1: Acquisition of Future Group's Retail Business by RIL.

## 7. Affiliate marketing

Affiliate marketing is a business strategy to increase sales. In this strategy, a company allows to advertise its products by websites which are often frequented by the same customers, known as "affiliates". In lieu of the orders received through the website, the online advertiser receives commission from the company. These days, various channels such as Youtube does affiliate marketing. The whole sequence of affiliate marketing is shown in Figure 14.2.



Source: Monster Insights

Figure 14.2: Illustration of 'Affiliate Marketing'

## 8. Balance Sheet

A Balance Sheet of a company is a financial statement that includes assets, liabilities, equity capital, total debt, etc. at a point of time (usually at the end of the financial year). In the balance sheet, assets are given on one side (left side) and liabilities on the other side (right side). It reflects the true picture of the financial status of the company and both heads (assets and liabilities) should tally, i.e.

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Balance sheet is just like a snapshot of the financial position of a company at a specified time, which may be after every quarter, six months or one year.

**Assets** are typically organised under two heads: liquid assets that are cash or can be converted easily into cash and non-liquid assets that cannot be converted quickly into cash, such as land, buildings and machinery. The list of assets may include intangible assets, i.e. the assets which are difficult to value. Some examples of intangible assets are franchise agreements, copyrights and patents. There are some set rules to evaluate these types of assets.

**Liabilities** are the funds that the company owes to different agencies. Liabilities are of two types: current and long-term liabilities. Current liabilities are those which are due within one year and include wages, pension plan contributions, medical plan contributions, utilities, building and equipment rents, payments to vendors (supplier invoices), income tax deductions, sales tax on goods and service tax charged on purchase, interest, maturity debt, etc.

Long-term liabilities include the payments to be made after one year. These include long-term debt, such as interest and principal on bonds, and any pension fund liabilities and deferred tax liabilities.

**Equity and Earnings:** Equity is also known as shareholder's equity; these are funds available after subtracting liabilities from assets. Retained earnings are earnings retained by the company – that is not paid to the shareholders as dividends. Retained earnings are used for reinvestment in the company.

### A Sample Balance Sheet

Company Name : \_\_\_\_\_  
Balance Sheet as on : \_\_\_\_\_

Assets	(Rs.)	Liabilities	(Rs.)
<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash in Bank	10,35,000.00	Accounts Payable	2,10,000.00
Cash in Hand	10,000.00	Wages Payable	5,15,000.00
Net Cash	10,45,000.00	Utilities	75,000.00
Inventory	25,05,000.00	Income Tax Payable	5,10,000.00
Accounts Receivable	10,200.00	Customers Deposits	45,000.00

Prepaid Insurance	15,400.00	Pension Payable	40,000.00
Total Current Assets	46,20,600.00	Nagar Nigam Dues Payable	10,000.00
<b>Fixed Assets</b>		Medical Payable	15,000.00
Land	45,50,000.00	Sales Tax Payable	21,000.00
Buildings	1,10,50,000.00	<b>Total Current Liabilities</b>	14,41,000.00
Less Depreciation	1,50,000.00	Long-Term Loans	60,10,000.00
Net land and Building	1,54,50,000.00	Mortgage	1,15,25,000.00
Machinery	5,10,000.00	<b>Total Liabilities</b>	1,89,76,000.00
Less Depreciation	50,000.00		
Net Machinery	4,60,000.00	<b>Owner's Equity</b>	
		Common-Stock	8,20,600.00
		Owner-Draws	1,10,000.00
		Retained Earnings	6,24,000.00
		<b>Total Owners Equity</b>	15,54,600.00
<b>Total Assets</b>	2,05,30,600.00	<b>Liabilities and Equity</b>	2,05,30,600.00

## 9. Brand

A Brand is the identity of a specific product, service or business. A brand can take many forms, including a name, sign, symbol, colour combination or slogan. For example in 1960s brand name "Dalda" became so popular that all solid fats prepared from vegetable oils were called Dalda. Some other examples of brand are: Airtel, Jio, Revlon, Monte Carlo, Parker, Colgate etc. A legally protected brand name is called a **trademark**.

A brand associated with a product or service has certain qualities or characteristics that make it special or unique. A brand is therefore one of the most valuable elements in an advertising theme, as it is considered to be associated with certain qualities. A brand which is widely known in the marketplace acquires the status of **brand recognition**. When brand recognition builds up to a point where a brand enjoys a critical mass of positive sentiment in the market place, it is said to have achieved **brand franchise**.

As a brand is associated with certain attractive quality or characteristics, branded products or services command higher prices than the similar unbranded products or services.

A **global brand** is one which is perceived to reflect the same set values around the world. Some global brands include Apple, Coca-Cola, McDonald's, MasterCard, Sony, etc. Global brands are used to sell the same product across multiple markets. On the other hand, **local brand** is one sold and marketed in a relatively small and restricted geographical area. Examples of local brands in India are: Nandini brand milk in Karnataka, Array Milk in Maharashtra, Saras Milk in Rajasthan.

## 10. Business Plan

A business plan is a written document that outlines the goals of the company for the next four to five years and the strategies to be adopted for achieving these goals. It is based on the

target markets, possible clientele, selling points, economic conditions, etc. Business plan may also include strengths, weaknesses, opportunities and threats (SWOT).

Business plans are necessary for seeking loans from banks and other funding agencies and for attracting potential investors. The company may revisit its business plan periodically to assess its achievements and failures, and if necessary, to adopt new strategies and directions. Although business plan is a must for a start-up, the established business enterprises also need it to remain goal-oriented. Although it may be good to incorporate as much detail as possible in the business plan, it is better to keep it concise for a quick reference.

### **Key elements of a Business Plan**

Some of the common points in a business plan are:

**Executive Summary:** It includes a brief statement about the mission of the company, its location, operation and leadership.

**Product and Services:** In this section, details of the products and services to be offered by the company are given. It may include scale of production, manufacturing technology, pricing and lifespan of the products and special offers, if any.

**Financial Planning:** In this section, company's plans to raise capital from different sources are given. It includes financial statements, balance sheets and other financial information for already-established businesses. New enterprises give details of the target sources and investors.

**Market Analysis:** This section incorporates details of the target markets and other competitive products already in the market.

**Marketing strategy:** In relation to the market analysis, what strategies company will adopt to be successful in competition to the other products are detailed in this section. The pricing and special offers to attract the customers are discussed here.

**Budget:** It takes into account different costs related to development, staffing, manufacturing, publicity and marketing.

Thus a Business Plan of a company:

- is a written document outlining its goals and strategies.
- outlines its long-term or short-term plans of business.
- includes executive summary, details of the products and services, financial planning, market analysis, marketing strategy and budget.

## **11. Capital**

Capital is a critical component for running a business and for financing its future growth. It is derived from the business operations or be raised from debt or equity financing. In a broader sense, capital is anything that confers value or benefit to its owner, such as a factory and its machinery, intellectual property like patents, or the [financial assets](#) of a business or an



individual. While money itself may be construed as capital, it is more often associated with cash that is being put to work for productive or investment purposes.

When budgeting, businesses of all kinds typically focus on three types of capital: working capital, equity capital, and debt capital. A business in the financial industry identifies trading capital as a fourth component.

## 12. Demonetisation

Demonetisation can be defined as the act of stripping a [currency](#) unit of its status as [legal tender](#). The prevailing form or forms of money is pulled out from circulation and is replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency. For example, the “Euro” came into existence on 1 January 1999 when all [European states](#) except the UK and Denmark agreed to it. Initially, the currency was launched virtually in 1999 and in 2002, notes and coins began to circulate. It rapidly took over from the former [national currencies](#) and [slowly expanded](#) behind [the rest of the EU](#). The [Government of India](#) announced the [demonetisation](#) of all ₹500 and ₹1,000 banknotes on 8 November 2016 issued new [₹500](#) and [₹2,000](#) banknotes in exchange for the demonetised banknotes.



DEMONETISATION



Source: SlideShare

## 13. Digital India

Digital India is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. The objective of the

Digital India Group is to come out with innovative ideas and practical solutions to transform our nation into a thriving economy and to create opportunities for all citizens by harnessing digital technologies. It endeavours to empower every citizen with access to digital services, knowledge and information. This Group will come up with policies and best practices from around the world to make this vision of a digital India a reality.



Source: MyGov Blog

### Check Your Progress A

1. What do you mean by acquisition?

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2. What is demonetisation? Give two examples.

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3. List three objectives of 'Digital India'.

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4. What is affiliate marketing?

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5. Which of the following statements are **True** or **False** ?

- (i) Acquisition is done of only larger companies.
- (ii) Affiliate marketing is done to increase sales.



- (iii) Information Technology will play a major role in achieving the goals of Digital India.
- (iv) Coca-cola is a local brand.
- (v) Business plan is made to achieve certain goals in the next 4-5 years.

## 14. Disinvestment

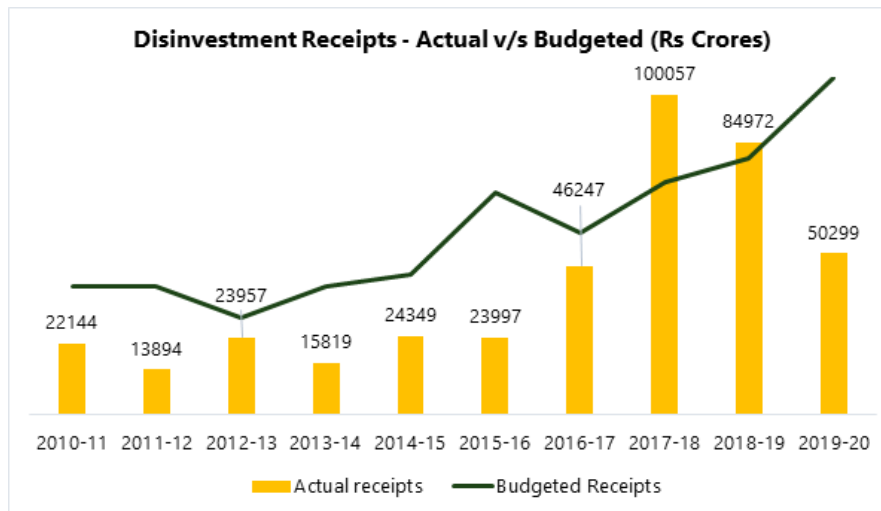
Disinvestment may be defined as the action of an organization or government selling or liquidating an asset or subsidiary. If the sale of the asset is not included, disinvestment refers to [capital expenditure](#) (CapEx) reductions, which leads to re-allocation of resources to more productive areas within an organization or government-funded project.

The Government of India set up a Department of Disinvestment in December, 1999 and was later renamed as Ministry of Disinvestment from September, 2001. From May, 2004, the Department of Disinvestment became one of the Departments under the Ministry of Finance. Every year, the Finance Minister sets a target of disinvestment in his/her budget speech. However, the target of disinvestment could not be achieved in any financial year due to many reasons, such as offers made by the government being not attractive, unrealistic valuation process, strong opposition from the employees and trade unions, etc.

Some of the companies which witnessed a strategic sale included:

- Bharat Aluminium Co.Ltd.
- CMC Ltd.
- Hindustan Zinc Ltd.
- Hotel Corp.of India Ltd. (3 Properties: Centaur Hotel, Juhu Beach, Centaur Hotel, Airport, Mumbai and Indo Hokke Hotels Ltd.,Rajgir)
- HTL Ltd.
- IBP Co.Ltd.
- I. T. D. C. Ltd. (18 Hotel Properties)
- Indian Petrochemicals Corp. Ltd.
- JESSOP & Co. Ltd.
- Lagan Jute Machinery Co. Ltd.
- The Maruti Suzuki India Ltd.
- Modern Food Industries (India) Ltd.
- Paradeep Phosphates Ltd.
- Tata Communications Ltd.

The Finance Minister in her budget presentation, set a disinvestment target of Rs 1.75 lakh crore for 2021-22. The targeted and receipts of disinvestment by the Government of India from 2010-11 to 2019-20 are shown in Figure 14.3.



Source: Tavaga

**Figure 14.3: The targeted and receipts of disinvestment by the Government of India from 2010-11 to 2019-20.**

## 15. Economic Development

Economic development as defined by Wikipedia is “the process by which a nation improves the economic, political, and social well-being of its people.” It is often confused with ‘Economic Growth’, but both are different. Economic Growth is the positive change in the real output of the country in a particular span of time. It is a measurable quantity in terms of actual economic output — things like gross domestic product (GDP). It is a pure numbers game. But, economic development has much broader connotations, such as social welfare, childhood education, healthcare, or in a nutshell, the overall standard of living.

## 16. Economic Reforms

The word “Economic Reforms” became popular in 1991 when the Narasimha Rao Government, in India introduced fundamental changes in the Indian economy by liberalising it resulting in faster rate of economic growth. It included technology up-gradation, industrial licensing, removal of restrictions on the private sector, foreign investments and foreign trade. This was termed as ‘the end of the license raj’. The reforms intended at bringing in larger cooperation of the private sector in the growth method of the Indian economy. The essential features of the economic reforms are – Liberalization, Privatization and Globalization, commonly known as LPG. Since then, the process of economic growth continues.

## 17. Employee Empowerment

Employee empowerment is a management strategy to motivate the employees by allowing them to make independent decisions and act on them. According to, Newstrom and Davis (1986) “empowerment is any process that provides greater authority through the sharing of relevant information and the provision of control over factors affecting job performance.” Employee empowerment helps employees do a better job in the moment while growing into a more productive member of the organization.

The empowerment includes

- giving employees a voice by regularly soliciting and acting on their feedback,
- providing opportunities for the employees to grow through more autonomy
- giving additional responsibilities or even an entirely new role.
- increasing their engagement and confidence in their own abilities, and
- providing employees with the tools, training, and authority they need to excel.

## **18. Employee Engagement**

It is closely related to the employee empowerment. Employee engagement may be defined as the emotional connection of the employees towards the work they do, their teams, and their organization. Kahn (1990) described “employee engagement as the harnessing of people’s selves to their work, such that they fully invest their physical, cognitive, and emotional resources in their work roles. He suggested meaningfulness, safety, and availability as essential conditions and important indicators of engagement”.

Employees who feel connected to their organization work harder, stay longer, and motivate others to do the same. It affects just about every important aspect of the organization, including profitability, revenue, customer experience, employee turnover, and much more. A study showed that 92% of the business executives believe that engaged employees perform better, boosting the success of their teams and the outcomes of their organizations.

## **19. Feedback**

Feedback is another jargon word commonly used in business and other organizations. Feedback is the process of sending the report about the effect of any action taken in the context of various activities of an organization. Thus feedback can be defined as the “return of information provided following an activity or process”. For example, if a company launches a new product, the marketing personnel will assess the response of the customers, its performance vis-a-vis similar products already present in the market and will send their feedback to the management, which will evaluate it and plan a new line of action, if necessary. Thus, feedback is a two way process and is an integral part of a business enterprise.

To obtain feedback is a continuous process, and if done in the right manner with sincere motives, it leads to improvement in the performance. In fact, feedback is ubiquitous. It is the lifeline of an organization.

Feedback may be ‘a positive feedback’ or ‘a constructive feedback’.

A positive feedback is ‘praise’ and is used as motivator. If someone has done good work, the manager can tell him about the positive feedback received for his work. Thus, positive feedback is sometimes called ‘motivational feedback’ or ‘reinforcement feedback’, because it is used to encourage a person to adhere to his line and action to a particular assignment.

Constructive feedback on the other hand may have criticism for their present approach, but at the same time may give suggestions how to improve/correct it. Thus message is constructive and helps the person to improve. As constructive feedback helps the person follow a better

approach, it is also known as ‘formative feedback’, ‘developmental feedback’ or ‘redirection’.

## 20. Finance

Finance can be defined as the management of money. The activities such as saving, investing, borrowing, lending, budgeting, and forecasting, etc. come under finance. There are three main sources of finance: (1) [personal](#), (2) [corporate](#), and (3) [public](#)/government.

Some examples of the common financial activities are given below:

- Investing personal savings in stocks, bonds, etc.
- Depositing personal savings in a high-interest savings account.
- Raising capital from institutional investors by issuing bonds on behalf of a public company
- Giving loans by banks to individuals to buy a house and mortgaging the same.
- Preparing budget and financial model for a corporation.

## 21. Forecast

All are familiar with weather forecast, which predicts the possible weather in the coming days. In the business world, business forecast is equally or rather more important, which predicts the likely scenario of sales and other aspects in a particular field of business. The time frame of business forecast is much longer than the weather forecast extending from a season to several years. The business forecast includes estimated sales, profit or loss and cash flow.

Thus, business forecasting may be defined as an act of predicting the future trends of sales, economic conditions, profits, losses, etc. for a business.

**Leo Barnes remarked, “Business forecasting in the calculation of reasonable probabilities about the future, based on the analysis of all the latest relevant information by tested and logically sound statistical economic techniques, as interpreted, modified and applied in terms of an executive’s personal judgement and social knowledge of his own business and his own industry or trade”.**

**According to John G. Glover, “Business forecasting is the research procedure to discover those economic, social and financial influences governing business activity, so as to predict or estimate current and future trends or forces which may have a bearing or company policies or future financial, production and marketing operations”.**

Business forecasting is used for:

- Long-term planning
- Budget making
- Inventory planning
- Marketing (pricing, consumer behaviour, life cycle management)

- Operations and supply chain

### Business Forecasting Techniques

They are of two types:

1. Qualitative forecasting: It is based on opinions and guesses of the persons involved in marketing.
2. Quantitative forecasting: This technique is more scientific and reliable. It is based on past data which is analysed on the basis of statistical models.

## 22. Globalisation

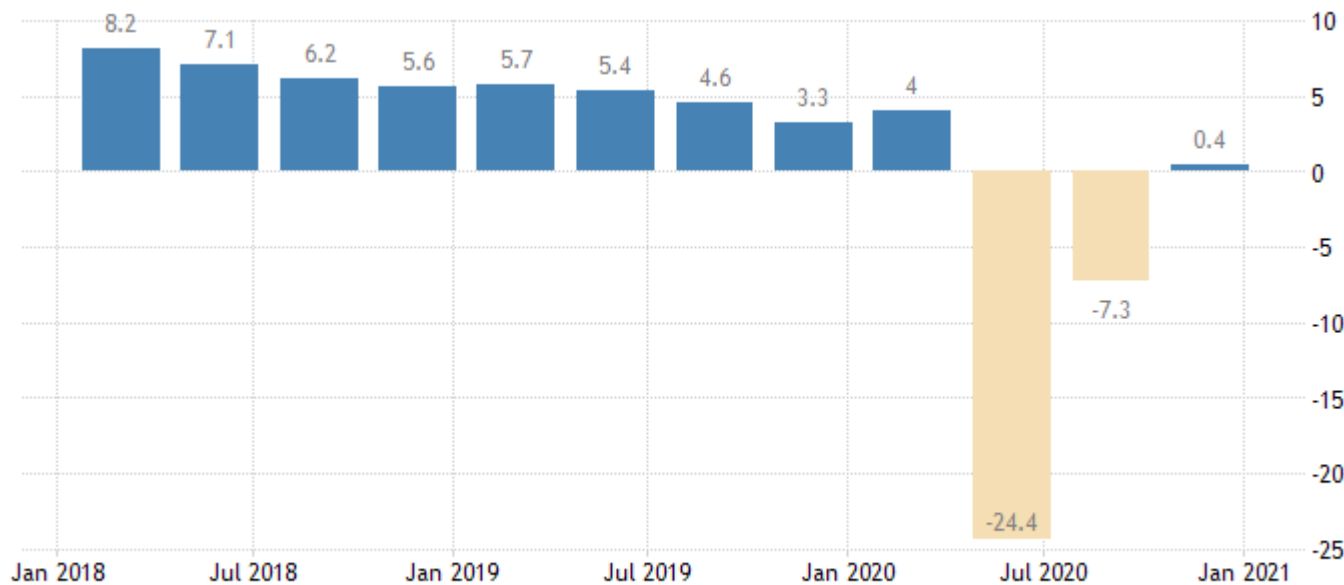
The growing interdependence of different countries' economies and other aspects brought about by cross-border trade in goods and services, technology, and flow of investment, people, and information is termed 'Globalisation'. The tremendous advancement made in the field of Information Technology (IT) has been the most important contributor to the process of globalisation. The CEO of a multinational company can video chat with the employees world over. Now firms in the developed countries establish their manufacturing units in the developing countries to save labour and logistic costs.

Some of the key points of globalisation are as follows:

- A company can sell its products, technology and services across nations.
- Corporate companies can attract investment from individuals and institutions from across the world.
- Jobs are created in the developing countries as multinational companies establish their manufacturing facilities in these countries.
- Globalisation has pushed up tourism.
- Due to globalisation, an economic downturn in one country can be felt across the world.
- Globalisation is responsible for the Covid-19 pandemic.

## 23. Gross Domestic Product

Gross domestic product (GDP) is the final value of the goods and services produced within the geographic boundaries of a country during a specified period of time, normally a year. GDP growth rate is an important indicator of the economic performance of a country. In India, contributions to GDP are mainly divided into 3 broad sectors – agriculture and allied services, industry and service sector. The GDP growth rate of India from 2018-19 to 2020-21 is shown in Figure 14.4.



SOURCE: TRADINGECONOMICS.COM | MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION (MOSPI)

Figure 14.4: The GDP growth rate of India from 2018-19 to 2020-21.

## 24. Human Resources

Human Resources (HR) is the department of the company that deals with the matters relating to its employees. The term “Human Resources” was first coined in the 1960s when the importance of labour in an organization and matters related to their selection, training, welfare and motivation was realized. In fact, it is the resource that is present in the knowledge skills and abilities of humans. In contrast to other resources, human resource improves with age and experience. Thus, it is the most crucial productive resource in an organization.

Human Resource management deals with the following aspects in an organization:

- Recruitment of staff
- Training and orientation
- Labour and management relations
- Welfare and benefits of staff
- Development of organization

Human resource management is responsible for developing a strategic and comprehensive approach towards managing people and maintaining a productive and harmonious work environment. For achieving these objectives HR department has to arrange training and orientation programme on the one hand and organize social and healthcare events on the other hand. It has to ensure strategic utilization of human resource and make efforts that these activities have a positive effect on the business of the company.

## 25. Incubation



According to the UK Business Incubation (UKBI), “Incubation is a unique and highly flexible combination of business development processes, infrastructure and people, designed to nurture and grow new and small businesses by supporting them through early stages of development and change”.

The National Business Incubation Association (NBAI) stipulates that “business incubation is a business support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services. These services are usually developed or orchestrated by incubator management and offered both in the business incubator and through its network of contacts. A business incubator’s main goal is to produce successful firms that will leave the program financially viable and freestanding. These incubator graduates have the potential to create jobs, revitalize neighbourhoods, commercialize new technologies, and strengthen local and national economies”.

In these days of start-ups and entrepreneurship, business incubation has acquired much importance. A business incubator makes available a range of services to its clients that are designed to help them launch well managed businesses. This mix of services is generally drawn from: administrative services, business advice services, technical services, finance raising, and networking opportunities. The government also plays an important role in business incubation by sanctioning low interest loans, tax holidays and other incentives to the start-ups.

### Check Your Progress B

1. What is meant by disinvestment?

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2. Explain the term “Human Resources”.

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3. List three advantages of globalisation.

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4. Define GDP.

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5. Which of the following statements are **True** or **False** ?

- i) Economic growth and economic development are the same thing.
- ii) The word “Economic Reforms” became popular in 1991
- iii) Globalisation has created jobs in the developing countries.
- iv) Business forecast is for a long time.
- v) GDP growth rate in India in 2020-21 was very good.

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### 14.3 LET US SUM UP

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In business writings and speaking, often such words are used that do not find place in standard English. These words have acquired the status of “office jargon” in the business world. When a company purchases most or all of another company's shares to gain control of the latter, it is termed as acquisition. Affiliate marketing is a business strategy to increase sales. In this strategy, a company allows to advertise its products by websites which are often frequented by the same customers, known as “affiliates”. In lieu of the orders received through the website, the online advertiser receives commission from the company. A Balance Sheet of a company is a financial statement that includes assets, liabilities, equity capital, total debt, etc. at a point of time. A Brand is the identity of a specific product, service or business. A brand can take many forms, including a name, sign, symbol, colour combination or slogan. A business plan is a written document that outlines the goals of the company for the next four to five years and the strategies to be adopted for achieving these goals. It is based on the target markets, possible clientele, selling points, economic conditions, etc. Business plan may also include strengths, weaknesses, opportunities and threats (SWOT).

Demonetization can be defined as the act of stripping a [currency](#) unit of its status as [legal tender](#). The prevailing form or forms of money is pulled out from circulation and is replaced with new notes or coins. Digital India is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. The objective of the Digital India Group is to come out with innovative ideas and practical solutions to transform our nation into a thriving economy and to create opportunities for all citizens by harnessing digital technologies. Disinvestment may be defined as the action of an organization or government selling or liquidating an asset or subsidiary. Business forecast is used to predict the likely scenario of sales and other aspects in a particular field of business. It includes estimated sales, profit or loss and cash-flow. It may be a long-time forecast or a short-time forecast. Business plan is a written document that outlines goals of the company for the next four to five years and the strategies to be adopted for achieving these goals. It is based on the target markets, possible clientele, selling points, economic conditions, etc. Balance sheet of a company is a financial statement that includes assets, liabilities, equity capital, total debt, etc. at a point of time (usually at the end of the financial year). In the balance sheet, assets are equal to the sum of liabilities and equity. Economic development as defined by Wikipedia is “the process by which a nation improves the economic, political, and social well-being of its people.” It is often confused with ‘Economic Growth’, but both are different. The word “Economic Reforms” became popular in 1991 when the Narasimha Rao Government in India introduced fundamental changes in the Indian economy by liberalising it resulting in faster rate of economic growth. Employees empowerment and employees engagement are two important management strategies to instil a sense of belonging in the employees towards the organization, which results in enhanced profits and other benefits. Feedback is the process of sending the report about the effect of any action taken in the context of various activities of an organization. Finance can be defined as the management of money. The activities such as saving, investing, borrowing, lending, budgeting, and

forecasting, etc. come under finance. Business forecasting may be defined as an act of predicting the future trends of sales, economic conditions, profits, losses, etc. for a business.

The growing interdependence of different countries' economies and other aspects brought about by cross-border trade in goods and services, technology, and flow of investment, people, and information is termed 'Globalisation'. Gross domestic product (GDP) is the final value of the goods and services produced within the geographic boundaries of a country during a specified period of time, normally a year. GDP growth rate is an important indicator of the economic performance of a country. Human resources is the department of the company that deals with the matters relating to its employees. It deals with the recruitment, training, welfare, relationship between labour and management and development of the organization. Incubation is a unique and highly flexible combination of business development processes, infrastructure and people, designed to nurture and grow new and small businesses by supporting them through early stages of development and change.

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## 14.4 KEY WORDS

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**Goal-oriented:** Working to achieve the planned objectives.

**Hierarchy:** A system of persons ranked one above another.

**Infancy:** Early stage of development.

**Intangible Assets:** The assets which cannot be prescribed by the sense of touch.

**Inventory planning:** To plan stocks of goods.

**Liabilities:** These are the funds that the company owes to different agencies.

**Marketing operation:** Activity in the market including advertising, publicising, popularizing, distributing and pushing sales of a product.

**Marketing strategy:** To plan how to launch a product in the market and popularise it.

**Stripping a currency unit:** Banning its circulation.

**Trademark:** A legally protected brand of a company.

**Welfare schemes:** Schemes such as healthcare, pension, provident fund, subsidy for employee's children education, bonus, etc.

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## 14.5 ANSWERS TO CHECK YOUR PROGRESS

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- |   |              |            |             |             |           |
|---|--------------|------------|-------------|-------------|-----------|
| A | 5 (i) False, | (ii) True, | (iii) True, | (iv) False, | (v) True  |
| B | 5 (i) False, | (ii) True, | (iii) True, | (iv) True,  | (v) False |

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## 14.6 TERMINAL QUESTIONS

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1. Giving suitable examples, discuss the characteristic features of affiliate marketing?
2. What is Digital India? Discuss its goals.
3. What is meant by business plan? Describe its key elements.
4. What is balance sheet? Explain its different components with the help of a suitable example.
5. Describe various functions of human resource department in a company. How does it create an harmonious working environment?
6. What is meant by incubation? Giving suitable examples, highlight its importance in start-up.
7. What is brand? How does it help in business?



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## UNIT 15 SOME BUSINESS TERMS – II

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### Structure

- 15.0 Objectives
- 15.1 Introduction
- 15.2 Business Terms
- 15.3 Let Us Sum Up
- 15.4 Key Words
- 15.5 Answers to Check Your Progress
- 15.6 Terminal Questions

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### 15.0 OBJECTIVES

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After studying this unit, you should be able to

- state the meaning of recruitment;
- explain what is meant by public relations;
- discuss the phrase thinking outside the box;
- describe the meaning of stakeholders;
- describe the meaning of feedback;
- explain the meaning of feedback; and
- state the meaning of price point.

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### 15.1 INTRODUCTION

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In the previous unit, you made yourself familiar with a few words and phrases that are used frequently in the business world and may not find place in common English. In this unit, you will read about more such words and phrases which are relevant in business writing and speaking.

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### 15.2 BUSINESS TERMS

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In the preceding unit, you learnt about a few business terms that are commonly used in the business world. In this unit, you will study more such terms.

#### 1. Negative Equity

If the value of an asset, financed using debt, falls below the amount of the loan/mortgage that is owed to the bank, it is called negative equity. It occurs when the value of the asset depreciates rapidly over the period of use, resulting in negative equity for the borrower.

Negative shareholder equity is a similar concept, whereby the company incurs losses that are greater than the combined value of the payments made to the shareholders and accumulated earnings from prior periods.

There are three scenarios of the negative equity, which describe its implications to the concerned parties:

- a) It is common in the housing and automobile sector as a house or car is normally financed through some sort of debt (such as a bank loan or mortgage). The price of a house can decline due to drop in the real estate prices, whereas the price of a car can fall due to rapid use. In both cases, result will be a negative equity.
- b) A typical example of the negative shareholder equity is when significant dividend payments are made to investors, which erode the [retained earnings](#) and make the equity of the company go into the negative zone. It is usually a sign of financial distress for the company.
- c) Net worth is often used in place of negative equity. A person who has negative equity is said to have a negative net worth, which actually means that the person's liabilities exceed the assets he owns. A common example of negative net worth is the student with an education loan. Although [student loan](#) enables the student acquire higher education, but until he gets a job with emoluments, he has a negative net worth.

## **2. Net Asset Value (NAV)**

It is a method of measuring investment trusts. NAV is the total number of one's assets minus its liabilities. It is often associated with mutual funds, and helps an investor determine if the fund is overvalued or undervalued. When we talk of open-end funds, NAV is crucial. NAV gives the fund's value that an investor will be entitled to at the time of withdrawal of investment. In case of a close-end fund, which is a mutual fund with fixed number of units, price per unit is determined by market and is either below or above the NAV.

## **3. Non-performing Assets (NPA)**

The loans and advances on which the principal is over-due and interest thereof has not been paid for a certain period of time, are known as the non-performing asset (NPA). This terminology is used by the banks and financial institutions. In general, loans become NPAs when they are outstanding for 90 days or more, though some lenders use a shorter window in considering a loan or advance as NPA.

## **4. Nominal Interest Rate**

Nominal interest rate refers to the interest rate before taking inflation into account. [Nominal](#) can also refer to the advertised or stated interest rate on a loan, without taking into account any fees or compounding of interest.

The Reserve Bank of India (RBI) sets short-term nominal interest rates, which form the basis for other interest rates charged by banks and financial institutions. Nominal interest rates may be held at artificially low levels after a major recession to stimulate economic activity through low real interest rates, which encourage consumers to take out loans and spend money. However, a necessary condition for such stimulus measures is that inflation should not be a present or a near-term threat. Conversely, during inflationary times, RBI may set nominal rates high. If the inflation level is overestimated, nominal interest rates may be too high. The resulting elevated level of interest rates may have serious economic repercussions, as they tend to stall spending.



## 5. Nominal Value

Nominal value, also referred to as *face value* or *par value*, is the value shown on the face of a security certificate or instrument, including currency. The concept most commonly applies to stocks and bonds but is especially important to bond and preferred stock investors.

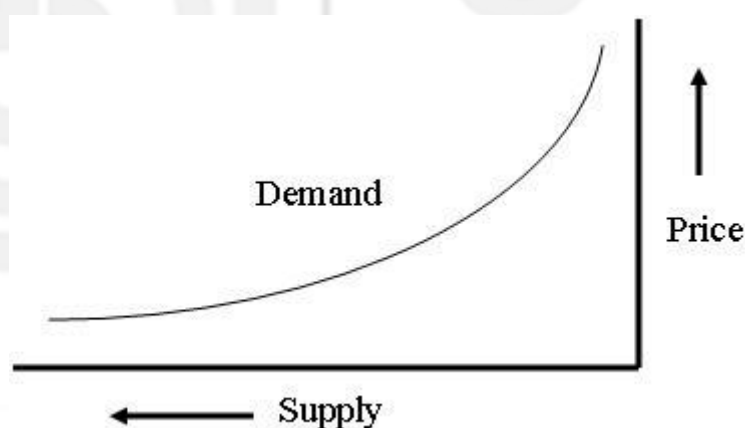
Suppose a company XYZ issues Rs. 100 crores in bonds to fund the construction of a new factory. The bonds mature in 20 years. If the company sells the bonds in Rs. 1,000 increments, each bond certificate would have a nominal value of Rs. 1,000 and the bearer of that bond would therefore be entitled to receive Rs. 1,000 from XYZ in 20 years.

If the company also agreed to pay 5% annual interest on the bonds, the bearer of an XYZ company bond would also be entitled to Rs. 50/- per year in interest payments on each bond.

## 6. Price Point

Price point is the retail price of a product, determined in such a way that it can compete with prices of similar products of other manufacturers. This price point can be changed depending upon the supply, demand and competition.

Price point is a point on a scale of possible prices for a product. It can be understood well by looking at the following curve representing inter-relationship between supplied items, demand and price.



**Figure 15.1 Inter-relationship between supply, demand and price.**

It can be seen from the graph, if supply decreases, but demand increases, price point will increase. On the other hand, if supply increases, but demand decreases, price point will also decrease.

Depending on the market size, background of the customers, reputation of the manufacturer (branded or non-branded), supply and demand, price point is fixed. Thus it is not necessary for good sales that product be sold at the cheapest price. What is the difference between price

point and price? Price point refers to a point on a hypothetical curve drawn on the basis of demand and supply, whereas price is the actual price the product is sold at.

## 7. Privatisation

The sector having industries run by the government agencies is known as the public sector. If an enterprise or industry is transferred from the [public sector](#) to the [private sector](#), it is called privatisation. It may be partial or complete. If the government sells its assets partly to a private party, it is partial privatisation, but if all the government held assets are transferred to the private individuals, it is complete privatisation. This process is also termed as disinvestment. A detailed description of disinvestment has been given in the preceding unit.

### Objectives of privatisation:

- Provides a strong base to the inflow of FDI.
- Inflow of modern technology.
- Improving efficiency of public sector undertakings.
- Enhancing competition.
- Improved quality of the products.
- Pushing up exports.
- Lowering of prices due to competition.
- Some companies have been given a special category of Navratna and Mini-Ratna due to their exports potential

There are six methods of privatisation:

- The public sale of shares
- Public auction
- Public tender
- Direct negotiations
- Transfer of control of State or municipally controlled enterprises
- Lease with a right to purchase

## 8. Public Relations

The way business organizations, companies or even individuals establish relationship with the public and media is called **Public Relations**. In this age of global competition, it is imperative for the companies to create and maintain a positive image of their products among the target audience and develop a strong relationship with them. Different strategies are followed for developing strong public relations, some of which are press releases, new letters, personal contacts and in this age of information technology, by using world wide web, i.e. www.

According to the Public Relations Society of America:

“Public Relations is a strategic communication process that builds mutually beneficial relationship between organizations and their publics”.

The world of business has to face fierce competition and just to retain the existing customers and to win the new ones, business organizations have to use PR in a very aggressive but judicious manner. Many organizations now seek to services of the PR specialists or firms, who present their products, services and the related operations in the best possible way. A positive public image attracts new customers and pushes up the sales. Over the years, a close relationship has developed between PR and marketing.

## **9. Recruitment**

Recruitment is the process of hiring new employees in an organization. It is a multi-step process. The main steps being the following:

- Identifying the hiring need
- Writing the job description
- Advertising the position
- Scrutinising and short-listing the applications
- If necessary, holding a written test
- Interviewing the short-listed candidates
- Background check
- Checking with the referees
- Final Selection
- Offering the selection letter
- Onboarding

Depending on the size of an organization, the above mentioned processes may be wholly or partly completed internally or outsourced to an outside firm which specialises in all these activities. However, all recruitments are typically made in coordination with the Human Resources.

In fact, recruitment is a continuous process. In many organizations, the HR develops a pool of qualified applicants of different categories for the future human resources needs even though the specific vacancies do not exist at that moment. As soon as the manager initiates an employee requisition for a specific vacancy or an anticipated vacancy, the whole process is initiated.

Recruitment needs are of three types:

- **Planned**

These vacancies arise due to planned expansion of an organization and retirement policy.

- **Anticipated**

These vacancies arise due to anticipated movement of personnel, which can be predicted by studying internal and external environment.

- **Unexpected**

These vacancies arise due to resignation, death, accident, illness, etc.

### Check Your Progress A

6. What is nominal value?

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7. List four benefits of privatisation of the public sector undertakings.

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8. What are unexpected vacancies?

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9. Fill in the blanks:

- (i) Price point changes depending upon the -----, ----- and -----.
- (ii) Privatisation brings in new -----.
- (iii) Recruitment is a ..... process.
- (iv) The resignation causes an .....vacancy.
- (v) Public relations is a .....communication process.

10. Which of the following statements are **True** or **False**?

- (vi) Recruitments are made in coordination with the Human Resources.
- (vii) Planned vacancies arise due to retirement of the employees.
- (viii) Public Relations of an organization works to create a positive image of its products.
- (ix) Privatisation increases competition.
- (x) Price point is not affected by the demand.

### 10. Self Reliant Economy

Paul Godfrey defined Economic Self Reliance (ESR) as an individual's ability to *garner* and *hold* economic resources in excess of their basic needs. But this is a relative term. According to him, "ESR is also context specific; what constitutes "basic needs" for someone in a *developed* country will differ drastically from someone in a *developing* country. But the core principles of economic development are the same throughout the world".

Self Reliant Economy (SRE) is a buzzword these days in Indian economy after the Prime Minister of India listed out five 'I's to make India a self-reliant economy. The ***intent***, ***inclusion***, ***investment***, ***infrastructure***, and ***innovation*** are of utmost importance to make a self-reliant India. Emphasising the government's intent to help the industry, PM Modi added if the industry takes two steps ahead, the government will take four steps to support it. The

government has recently brought in major reforms in various sectors such as labour reforms, agriculture reforms, allowing private companies in strategic sectors, commercial mining of coals, etc. With these measures, the government is hopeful that the fundamentals of India's economy will be more inclined towards growth.

Intent is defined as something you plan or mean to do. Thus, a strong desire supported by matching efforts is the first thing for the SRE.

The Rockefeller Foundation outlined five characteristics of an 'Inclusive Economy' as: **participation, equity, growth, sustainability, and stability.**

An **investment** is an asset or item acquired with the goal of generating income or appreciation. Appreciation refers to an increase in the value of an asset over time. It concerns the outlay of some asset today—time, money, or effort—in hopes of a greater payoff in the future than what was originally put in.

The **infrastructure** is an important prerequisite for faster economic growth. The following are the important constituents of infrastructure:

- Roads and road transport,
- Power and the source of its production such as coal and oil,
- Communication network
- Railways,
- Ports and airports,
- For agriculture, irrigation constitutes the important infrastructure.

**Innovation is defined as** the introduction of something new. Without innovation, there is not anything new, and without anything new, there will be no progress. Innovation really is the core reason for modern existence. The purpose of innovation is to come up with new ideas and technologies that increase productivity and generate greater output with the same input.

## 11. Stakeholder

A stakeholder is any person, organization, social group or society that has a stake in the business. A stake means vital interest. Thus, any person or group whose interests are affected by the activities of the business is a stakeholder. The main stakeholders in a typical corporation are its investors, employees, suppliers and customers. But in recent years the scope of stakeholders has been broadened and it now includes customers, community and government also.

Stakeholders are of two types: internal stakeholders and external stakeholders. Internal stakeholders have direct relationship with the business, for example, ownership, employees and investors. External stakeholders do not work with the company directly, but are affected in some way or the other by the business activities. Some examples of external stakeholders are suppliers, social groups, customers and government. For example if government makes some rules about the environmental pollution, the business has to take corrective measures. Similarly, if a manufacturing unit creates pollution, social groups may protest and thus become external stakeholders.

## 12. Start-Up

The word “Start-Up” or “Startup” is used for a new business enterprise founded by one or more entrepreneurs with the objective to develop a new product or service to be launched in the market. Usually, a typical start-up is started with a modest capital, which is pooled by the founder(s) and family members. The word “Start-Up” was for the first time used by Forbes Magazine in 1976 in the sense of “Budding Company”. A 1977 Business Week article included the line **“An incubator for startup companies especially in the fast-growth, high-technology fields”**. This term was used extensively during the dot com boom in the “Silicon Valley”. Thus, initially it was used for tech enterprises, but now it can be applied to any new business. A start-up is typically associated with a new idea of business implemented in an unconventional office/workshop with a small number of employees. Often the founders/owners work themselves without a formal hierarchy during the infancy of the start-up. The auto giant BMW was started in a garage in a small town of Bayern state of Germany. Microsoft founded by Bill Gates, Ford Motors founded by Henry Ford and McDonald’s founded by Ray Kroc are some other examples of start-ups.

Infosys founded by Narayana Murthy and others, Flipkart founded by Bansal brothers, Myntra founded by Mukesh Bansal and others, and Ola cab founded by Bhavish Aggarwal are some examples of start-ups in India.

Start-up is a risky proposition and therefore first the founders have to prove the success chances of their concept to attract potential lenders and investors. Government of India has also notified a scheme on February 19, 2019 known as “Startup India Action Plan” to support start-up ventures in India. The startups that meet the definition as prescribed under G.S.R. notification 127(E) can apply for recognition and avail the concessions under this programme. After getting the recognition as a start-up, it can apply for tax exemption under section 80 I AC of the Income Tax Act. After getting clearance for Tax exemption, the start-up can avail tax holiday for 3 consecutive years out of its first ten years since incorporation provided:

- a. the entity is a recognised startup.
- b. it is a Private Limited or a Limited Liability Partnership Company.
- c. it has incorporated after April 1, 2016.

## 13. Stock Market

A stock market can be defined as the collection of markets and exchanges where buying, selling, and issuance of shares of publicly-held companies take place. Such financial activities are conducted through institutionalized formal exchanges or [over-the-counter \(OTC\)](#) marketplaces which operate under a defined set of regulations.

While both terms - stock market and stock exchange - are used interchangeably, the latter term is generally a subset of the former. Stock exchanges are one of the most important constituents of capital market in any country. The major stock exchanges in India are:

**Bombay Stock Exchange (BSE):** It is one of the two principal large stock exchanges of India. Established in 1875, BSE is the oldest and first stock exchange of Asia and was formerly known by the name of –The Native Share & Stock Brokers Association.



**National Stock Exchange (NSE):** NSE is one of the youngest stock exchanges of India which came into the picture in the year 1992. Nifty 50 the popular benchmark index in the Indian stock market, was introduced by NSE in 1995. Nifty lists out top 50 companies which traded on the NSE stock exchange market.

**Calcutta Stock Exchange (CSE):** CSE is a regional stock exchange (RSE) located at the Lyons Range, Kolkata and is the second oldest stock exchange in South East Asia. Incorporated in 1908, CSE is the second-largest Stock Exchange in India.

**Metropolitan Stock Exchange (MSE):** The Exchange was notified as a “Recognized Stock Exchange” under the Companies Act by the Ministry of Corporate Affairs on December 21, 2012. MSE offers a hi-tech platform to trade in the capital market, futures & options, currency derivatives, and debt market segments of the Indian market.

**India International Exchange (India INX):** Opened in January 2017, India INX is India’s first international stock exchange. It is a wholly-owned subsidiary of the Bombay Stock Exchange (BSE) and is located at the International Financial Services Centre (IFSC), GIFT City in Gujarat.

**NSE IFSC Ltd.:** NSE IFSC Limited (NSE International Exchange) incorporated on 29th November 2016, is a wholly owned subsidiary of the National Stock Exchange (NSE) and is located at the International Financial Services Centre (IFSC), GIFT City in Gujarat. The exchange is permitted to offer securities trading in any currency other than the Indian rupee

#### **14. Thinking Outside the Box**

The phrase “Thinking Outside the Box” (or thinking out of the box or thinking beyond the box) often used in the business world while planning a strategy means to think unconventionally abandoning all preconceptions or from a new perspective or to propose a completely new approach to the problem. Thinking outside the box implies innovation, readiness to face challenge, which is considered a desirable quality in the business world.

There are many inspiring stories of the men who changed the whole scenario of the business by thinking outside the box. Steve Jobs was fired by the Board of Directors of Apple, the company he founded. However, after his team developed NEXT operating system, he went on to become CEO of Apple.

We are all accustomed to do things the way we have been doing. But asking yourself “why have we always done it that way?” can lead to a new approach and creative thinking. Sometimes, the very act of explaining a complex problem in a simple way results in an innovative idea.

#### **15. Unique Selling Proposition**

Unique Selling Proposition (USP) of a company, product or service is its uniqueness which make it different from and better than its competitive similar offerings. A strong USP can help the company attract and retain customers. If the market has already the products or

service the company is going to launch, it has to think about USP in its product. It is the unique aspects of the product that energise the marketing personnel to highlight reasons why customers should choose their product rather than going for the product of the other company.

To develop a USP, other companies' ads and marketing messages are analysed carefully; their USPs, if any, are studied and then the company tries to distinguish its product from other products in the form of a slogan, phrase or sentence.

Charles Revson, founder of Revlon Cosmetics, phrased "he sold hope, not makeup". Air India's USP is "Maharaja". Some airlines promise luxury, while others offer low price. Neiman Marcus sells "luxury", while Amazon's USP is "the earth's most customer centric company". Jio's USP is "Affordable 4G LTE mobile network with innovative technology". In the last example, USP combines low price with innovation.

The above examples underscore the importance of USP. There are four 'Ps' for USP: **p**roduct characteristics, **p**rice structure, **p**lacement strategy (location and distribution) and **p**romotional strategy. These four Ps are manipulated to get an optimum market position that sets it apart from its competitors.

## 16. Vocal for Local

Recently, Prime Minister Sri Modi gave the slogan, "Vocal for Local", which means greater emphasis for the India made consumer goods. In fact, it is related to Self Reliant Economy described earlier in this unit. Emphasising on a self-reliant, or '*aatmanirbhar*', India, the government has asked that products not just be made in India, but also for the promotion of local brands, manufacturing, and supply chain. The idea of 'Vocal for Local' clarion is to create more local brands and take those to the global arena. It is only possible with a focus on technology-based companies that can be scaled-up faster. It also implies that the quality of the locally made goods should be high so that Indian brands can make a niche globally. 'Vocal for Local' can create a healthy vibrant start-up ecosystem. The Government of India announced a stimulus package for the start-ups which are perceived as the real promoters of 'Vocal for Local' concept. These companies earlier did not receive any intellectual support and technical know-how from the government, and hence their growth remained stunted. But the 'Vocal for Local' would provide these smaller ventures with the opportunity to grow globally. Some of these companies, with proper handholding, can become a publicly listed company or get acquired by some bigger international brand.

## Check Your Progress B

1. How is society a stakeholder in the production of consumer goods?

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2. Give an example of "thinking outside the box".
3. What is unique selling proposition?
4. What is meant by vocal for local?
5. Which of the following statements are **True** or **False**?

- (i) CEO of a business enterprise is an internal stakeholder.
  - (ii) Government is an external stakeholder in a business.
  - (iii) Thinking outside the box means first come out of the box and then think.
  - (iv) Vocal for local means develop local brands to the global level.
  - (v) Brand of a product does not play any role in the price point.
6. Fill in the blanks:
- (i) Any person or group of persons whose interests are affected is a .....
  - (ii) Society is ..... stakeholder in a business enterprise.
  - (iii) Stock market is the place where ..... are sold and bought.
  - (iv) Price point is a point on a ..... of possible price of a product.
  - (v) Price is the ..... a product is sold at.

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### 15.3 LET US SUM UP

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Many words and phrases are used in the business world, which may not find place in common English. Recruitment is the process of hiring new employees in an organization. It is a multi-step process and is normally done in coordination with the Human Resources. Recruitment needs may be of three types – planned, anticipated and unexpected. Public Relations is the process by which business organizations establish relationship with the public and media. In view of the fierce competition faced by business enterprises, PR devises and implements strategies to create positive image of the company and its products in public. “Thinking outside the Box” is a jargon phrase often used in the business world while planning a new strategy. It means to think unconventionally abandoning all preoccupations or from a new perspective or to propose a completely new approach to a problem. A stakeholder is any person, organization, social group or society that has a stake in the business. The main stakeholders in a typical corporation are its investors, employees, suppliers and customers. But in recent years, customers, community and government have also been included as stakeholders. Feedback is the process of sending the report about the effect of any action taken in the context of various activities of an organization. It is vital for the survival and progress of any enterprise. Price point is a retail price of a product determined in such a way that it can compete with prices of similar product of other manufacturers.

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### 15.4 KEY WORDS

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**Scrutinizing:** Examining in detail with careful or critical attention

**Short-listed:** To prepare a list of the candidates most likely to be selected from a long list of applicants.

**Background Check:** To check one’s origin, education, experience, etc. in relation to one’s present character, status, etc.

8. What is the importance of recruitment in an organization? Describe different steps involved in it.
9. What is meant by public relations? Highlight its importance in a business enterprise.
10. Giving suitable examples, explain stakeholders in an organisation. How is society a stakeholder in an organization producing consumer goods.
11. Explain the phrase 'thinking outside the box' with the help of suitable examples.
12. What is the importance of vocal for local?
13. Explain the concept of price point.
14. What is stock market? Describe the main stock exchanges in India.

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## UNIT 16 WORDS OFTEN CONFUSED

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### Structure

- 16.0 Objectives
- 16.1 Introduction
- 16.2 Words often confused
- 16.3 Let Us Sum Up
- 16.4 Answers to Check Your Progress
- 16.5 Terminal Questions

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### 16.0 OBJECTIVES

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After reading this unit, you should be able to understand the usage of some English words that sound alike but have different meanings.

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### 16.1 INTRODUCTION

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In the previous unit, you learnt about better business writing. While writing a business letter, it is necessary to use correct words which convey the meaning intended for. In English, there are many words that look or sound very similar, but have different meanings. Many writers are confused while using these words. It is necessary to understand the difference in the meanings of such homonyms so that the appropriate word is used in the business letter. In this unit, you will learn about such words and their correct usage.

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### 16.2 WORDS OFTEN CONFUSED

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1. **A Lot/ Allot**  
**A Lot:** These are two words meaning “much”.  
In the party, people talked a lot about Covid-19.  
**Allot:** To assign as a “portion”.  
Separate rooms were allotted to the players of the team.
2. **A While/ Awhile**  
**A While:** These are two words meaning “a short period of time”.  
I shall meet you in a while.  
**Awhile:** A short time.  
I rested awhile, then left for work.
3. **Accede/ Exceed**  
**Accede:** To Agree.  
M/s Ram & Sons acceded to the terms of the contract.  
**Exceed:** To go beyond the limit.  
The number of books sent by Popular Book Depot exceeded the order we placed for.

**4. Accept/ Except**

**Accept:** To Agree

M/s Modern Garments accepted terms and conditions proposed by Saini & Sons.

**Except:** Excluding

Allahabad Book Store supplied all the books except Discovery of India.

**5. Adapt/ Adept/ Adopt**

**Adapt:** To adjust.

He adapted to the new environment.

**Adept:** Skilled

The teacher is adept at speaking languages fluently.

**Adopt:** To accept as your own.

The couple adopted a boy from the orphanage.

**6. Advice/ Advise**

**Advice:** It is a noun meaning “an opinion”.

My father still gives me advice as if I am a child.

**Advise:** It is a verb meaning “to give advice or counsel”.

The coast guards advised fishermen to stay away from sea due to bad weather.

**7. Affect/ Effect**

**Affect:** To act on or to produce an effect.

In recent years, inflation has affected the retail price of grocery items.

**Effect:** Result or consequence

Recent revision in income tax slabs did not have any effect on the total income below five lakhs per annum.

**8. Aid/ Aide**

**Aid:** It is help or assistance given.

During COVID-19, people gave aid to less fortunate ones.

**Aide:** It is a person who helps.

He worked as director's aide.

**9. Alternately/ Alternatively**

**Alternately:** It means “taking turns”.

They drove the car alternately so that neither of them would get tired.

**Alternatively:** It means “as an option”.

Instead of air travel he could travel alternatively by train.

**10. Bazaar or Bazar/ Bizarre**

**Bazaar or Bazar:** A market.

The weekly bazaar is worth visiting.

**Bizarre:** It means “weird or unworldly”.

In this dress, she looks bizarre.

**11. Beside/ Besides**

**Beside:** At the side of; near

Director sat beside the CEO.

**Besides:** In addition to

Besides autobiography by Gandhi, they placed order for Discovery of India.



**12. Biannual/ Biennial**

**Biannual:** It means twice in one year.

I get tests done biannually.

**Biennial:** It means “every two years”.

International Book Fair is a biennial event.

**13. Bolder/ Boulder**

**Bolder:** It means more daring.

After facing upheavals in life, he has become bolder.

**Boulder:** It means large rock.

In order to connect the village to the main road, they had to remove a boulder.

**14. Board/ Bored**

**Board:** It means a committee or wood.

The board of directors decided to give bonus to the employees.

He used a good quality of board for making cupboard.

**Bored:** It means “not interested”.

She felt bored after the lecture.

**15. Brake/Break**

**Brake:** It means to stop.

You should brake slowly to avoid skidding.

**Break:** It means to smash.

To break a windshield is a crime.

**16. Breath/ Breathe**

**Breath:** It is a noun meaning “the air pulled into the lungs”.

The doctor asked him to take a deep breath.

**Breathe:** It is a verb.

Doctor asked him to breathe deeply.

**17. Buy/ By**

**Buy:** To purchase

I have to buy stationery.

**By:** Near to and next to

Manager sat by the group leader.

**18. Canvas/ Canvass**

**Canvas:** It is a cloth or fabric.

She painted on the canvas.

**Canvass:** “to solicit votes” or to “examine carefully”.

He canvassed for the candidate of his party.

She had to canvass major stores before she found the dress of her choice.

**19. Censor/ Sensor/ Censure**

**Censor: Noun:** A person who examines news reports, etc. For its objectionable content.

The censor took strong objection to the publication of the report.

**Verb:** To examine or to act as censor.

The Election Commission censored the candidate's speech.

**Sensor:** Any electronic device sensitive to light, temperature, radiation, etc.

The sensor gave the fire alarm.

**Censure:** It means rebuke or harsh criticism.

The candidate was severely censured for his speech.

**20. Cite/ Site/ Sight**

**Cite:** "To quote or mention".

His research work was highly cited.

**Site:** It is a noun meaning "a place".

The site for the new factory was liked by the CEO.

**Sight: Noun:** "perception of an object, power of faculty of seeking".

He liked the sight of the hotel.

**Sight: Verb:** To see

They sighted a tiger during safari.

**21. Click/Clique**

**Click:** A brief sound.

You can send a large number of e-mails by a click of the mouse.

**Clique:** A close exclusive group of people.

The Director does not allow to form a clique around him.

**22. Clothes/ Cloths**

**Clothes:** Garment

Fancy garments store sells lady clothes only.

**Cloths:** Pieces of fabric

Agrasen market has cloth merchants.

**23. Coarse/ Course**

**Coarse:** Rough, lacking fineness

The coarse fabric irritated her skin.

**Course:** A direction, the path

The events happened in the expected course.

**24. Collaborate/Corroborate**

**Collaborate:** It means to work together.

He often collaborates with the foreign scientists.

**Corroborate:** To support with evidence or to prove.

The police could corroborate the whole sequence of the crime.

**25. Complement/Compliment**

**Complement: Noun:** Something that completes.

A good ice cream is a complement to a good meal.

**Verb:** To complete

The black shoes complement the suit.

**Compliment: Noun:** An expression of praise

He expressed compliments for her nice talk.

**Verb:** To pay a complement, to praise.

Audience complimented him for his motivational speech.

**26. Confidant/ Confident**

**Confidant:** A trusted adviser to whom secrets are confided.  
He is a confidant of the director.

**Confident:** self assured  
He was confident of securing first rank.

**27. Conform/ Confirm**

**Conform:** To act accordingly  
The principal conforms to the rules of the school.  
**Confirm:** To make it sure  
He confirmed his flight booking before leaving the hotel

**28. Conscience/ conscious**

**Conscience:** Inner moral guide  
My conscience does not allow me to sell duplicate items.  
**Conscious:** Aware  
The shopkeeper was conscious not to cheat the customer.

**29. Corps/Core/Corpse**

**Corps:** Pronounced as 'core', it means an organization of people dedicated to a cause.  
India is a member of the United Nations' peace corps.  
**Core:** It is the centre of a fruit or an object.  
One cannot eat core of mango.  
**Corpse:** It means a dead body.  
Police found a corpse in the bushes.

**30. Creak/Creek**

**Creak:** It can be the noun or verb meaning a short sharp sound.  
The creak of the old furniture disturbs the lecture.  
**Creek:** It means a small stream.  
The children enjoyed playing in the creek on a hot summer day.

**31. Credible/Creditable**

**Credible:** It means 'believable or reliable'.  
In the absence of any credible evidence, he was acquitted.  
**Creditable:** It means worthy of 'praise or respect'.  
His efforts to help others are really creditable.

**32. Custom/Costume**

**Custom:** It means a cultural tradition.  
In India, it is a custom to seek blessings by touching feet of elders.  
**Costume:** It is an outfit for a particular occasion.  
Have you selected costume for your wedding?

**33. Desert/ Dessert**

**Desert: Noun:** A waste land.  
Jaisalmer is a desert.  
**Verb:** To abandon  
He suddenly deserted his family and embraced priesthood.  
**Dessert:** A sweet dish after the main meal.

**34. Device/ Devise**

**Device:** An instrument to perform a task.

This device is not working properly.

**Devise:** To create or invent.

They devised a new technique to save petrol.

**35. Disburse/Disperse**

**Disburse:** It means to distribute or pay out money or financial assets.

He disbursed his assets to the philanthropic institutions.

**Disperse:** It is to distribute something other than money.

The volunteers dispersed pamphlets after the meeting.

It is also used 'to scatter' or 'to make disappear'.

The police dispersed the unruly mob.

**36. e.g./ i.e.**

**e.g.:** It is a Latin abbreviation meaning "for example".

She placed order for the grocery, e.g. rice, pulses, etc.

**i.e.:** It is a Latin abbreviation meaning "that is (to say)"

The teacher scolded the students i.e. not to make noise.

**37. Feel/ Fill**

**Feel:** To perceive or sense by touch.

They feel soft texture of the clothes.

**Fill:** To make full.

Oil tankers were filled with petrol.

**38. Hole/ Whole**

**Hole:** An empty place or opening.

Black hole in the universe is a reality.

**Whole:** Entire or complete.

The whole class applauded the teacher.

**39. Its/ It's**

**Its:** Belonging to it

You can imagine the contents of a book by its cover.

**It's:** Contraction of it is

It's been a long time since we met.

**40. Loose/ Lose**

**Loose:** Unpacked or unbound

Sometimes loose grocery items are of inferior quality.

**Lose:** To suffer defeat or fail to win

It is always painful to lose a game.

**41. Ordinance/Ordinance**

**Ordinance:** A law.

As per the new ordinance, Ph.D. thesis cannot be submitted before completing 3 years.

**Ordinance:** Military weapons and ammunition.  
There is ordnance factory at Jabalpur.

**42. Principal/ Principle**

**Principal:** Foremost (adjective), head (noun)  
Fierce competition was the principal cause of losses in his business.  
**Principle:** An accepted rule of action or conduct  
While doing business, he adheres to principle of honesty.

**43. Quiet/ Quite**

**Quiet:** Absence of noise  
It was perfectly quite during his speech.  
**Quite:** Completely or entirely  
It was quite reasonable to offer a five per cent rebate.

**44. Regimen/Regiment**

**Regimen:** A systematic plan of diet, exercise or manner of living.  
The secret of his good health is regimen of balanced diet.  
**Regiment:** A troop of soldiers.  
The Gorkha regiment is famous for its chivalry.

**45. Right/ Write**

**Right:** Proper or just  
It is right to be honest in business.  
**Write:** To form letters, words or symbols on a surface.  
Editor writes a good editorial.

**46. Stationary/ Stationery**

**Stationary:** Not moving  
The truck was stationary when accident occurred.  
**Stationery:** Writing material as pens, pencils, paper and envelop etc.  
In business communication, good quality stationery should be used.

**47. Than/ Then**

**Than:** It is used for comparison  
The garments supplied by Modern Garments were found to be of better quality than supplied by others.  
**Then:** It is used to indicate time or sequence.  
He came home and then finished his work.

**48. Two/Too/to**

**Two:** It refers to the number 'two'.  
There is place for two persons only.  
**Too:** it means also or additional  
He too reciprocated the greetings.  
**To:** It is a preposition indicating direction.  
His family migrated to U.S.

**49. Who's/ Whose**

**Who's:** It is the contraction for who is?

Who's there in the shop?

**Whose:** it is the possessive form of the pronoun who and which.

Whose house it is?

**50. Their/ There/ They're**

**Their:** It is the possessive form of 'they'.

Their partnership turned out to be successful.

**There:** It indicates a place.

It took long before they reached there.

**They're:** It is the contraction of 'they are'.

When will they arrive? They're almost here.

**Check Your Progress A**

1. Use 'accede' and 'exceed' in sentences.
2. Fill in the blanks
  - (i) Ram and Sons ..... the terms and conditions of the contract.
  - (ii) The order placed with Modern Garments for the supply of baby ..... was not complied with.
  - (iii) Mohan's ..... does not allow him to supply duplicate items.
  - (iv) The ..... lot of stationery was found defective.
  - (v) It is difficult to control quality of the ..... items.
3. Select five such words that confuse with other similar word and make sentences.

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**16.3 LET US SUM UP**

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In English, there are many words that look or sound very similar, but have different meanings. It is necessary to understand the correct meanings of such words and use only appropriate word in the business letter.

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**16.4 ANSWERS TO CHECK YOUR PROGRESS**

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A      2      i) Accepted    ii) Clothes    iii) Conscience    iv) Whole    v) Loose

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**16.5 TERMINAL QUESTIONS/EXERCISES**

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- 1) Make correct sentences using quiet and quite.
- 2) Make correct sentences using stationary/ stationery.
- 3) Search five such pairs of words that sound similar, but have different meanings. Use those words in sentences.



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## UNIT 17: WORDS OFTEN MISPELT

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### Structure

- 17.0 Objectives
- 17.1 Introduction
- 17.2 Words Often Misspelt
- 17.3 Let Us Sum Up
- 17.4 Answers to Check Your Progress
- 17.5 Terminal Questions

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### 17.0 OBJECTIVES

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After reading this unit, you should be able to:

- improve your business writings;
- avoid mistakes of misspelling the words used in business communication.

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### 17.1 INTRODUCTION

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In the previous unit, you learnt about a few words that are often confused with words pronounced similarly, but having different meaning. In the context of business writing, one should be careful about some words that are often misspelt. The reason of misspelling may be different: it may be mispronunciation, e.g. while speaking realize, it may be heard as realize. Another reason is homophones, i.e. a word is pronounced as the other but differing in meaning. For example, heir and air. In this unit, you will learn about a few such words that are often misspelt in the business writings.

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### 17.2 WORDS OFTEN MISPELT

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- |    |          |   |             |
|----|----------|---|-------------|
| 1. | Misspelt | : | Arguement   |
|    | Correct  | : | Argument    |
| 2. | Misspelt | : | Accomodate  |
|    | Correct  | : | Accommodate |
| 3. | Misspelt | : | Absense     |
|    | Correct  | : | Absence     |
| 4. | Misspelt | : | Aquit       |
|    | Correct  | : | Acquit      |
| 5. | Misspelt | : | Beleive     |
|    | Correct  | : | Believe     |

6.	Misspelt Correct	: :	Buisness Business
7.	Misspelt Correct	: :	Calender Calendar
8.	Misspelt Correct	: :	Catagory Category
9.	Misspelt Correct	: :	Cieling Ceiling
10.	Misspelt Correct	: :	Changable Changeable
11.	Misspelt Correct	: :	Collegue Colleague
12.	Misspelt Correct	: :	Comparision Comparison
13.	Misspelt Correct	: :	Commision Commission
14.	Misspelt Correct	: :	Committed Committed
15.	Misspelt Correct	: :	Compell Compel
16.	Misspelt Correct	: :	Definitly Definitely
17.	Misspelt Correct	: :	Desparate Desperate
18.	Misspelt Correct	: :	Disasterous Disastrous
19.	Misspelt Correct	: :	Entrepreneur Entrepreneur
20.	Misspelt Correct	: :	Enviroment Environment
21.	Misspelt Correct	: :	Facinating Fascinating
22.	Misspelt Correct	: :	Flourescent Fluorescent

23.	Misspelt Correct	: :	Excede Exceed
24.	Misspelt Correct	: :	Fullfil Fulfil (American: Fulfill)
25.	Misspelt Correct	: :	Garantee Guarantee
26.	Misspelt Correct	: :	Humerous Humorous
27.	Misspelt Correct	: :	Immitate Imitate
28.	Misspelt Correct	: :	Imediately Immediately
29.	Misspelt Correct	: :	Independant Independent
30.	Misspelt Correct	: :	Judgement Judgment
31.	Misspelt Correct	: :	Liason Liaison
32.	Misspelt Correct	: :	Lisence License
33.	Misspelt Correct	: :	Millenium Millennium
34.	Misspelt Correct	: :	Miniscule Minuscule
35.	Misspelt Correct	: :	Mischievous Mischievous
36.	Misspelt Correct	: :	Misterious Mysterious
37.	Misspelt Correct	: :	Noticable Noticeable
38.	Misspelt Correct	: :	Occassion Occasion
39.	Misspelt	:	Occurence

	Correct	:	Occurrence
40.	Misspelt	:	Percieve
	Correct	:	Perceive
41.	Misspelt	:	Plagerize
	Correct	:	Plagiarize
42.	Misspelt	:	Privelege
	Correct	:	Privilege
43.	Misspelt	:	Questionaire
	Correct	:	Questionnaire
44.	Misspelt	:	Repitition
	Correct	:	Repetition
45.	Misspelt	:	Seperate
	Correct	:	Separate
46.	Misspelt	:	Truely
	Correct	:	Truly
47.	Misspelt	:	Underate
	Correct	:	Underrate
48.	Misspelt	:	Upholstry
	Correct	:	Upholstery
49.	Misspelt	:	Vaccum
	Correct	:	Vacuum
50.	Misspelt	:	Warantee
	Correct	:	Warranty
51.	Misspelt	:	Wierd
	Correct	:	Weird

### Check your Progress A

- Write correct spellings of the following words:
  - definitly
  - garantee
  - liason
  - plagerize
  - repitition
- Fill in the correct word:
  - The salesman avoids unnecessary ..... with the customer (argument/ arguement)

- (ii) He believes in fair ..... (buisness/ business)
- (iii) In retail business, garments of different ..... are stocked well in time (catagories/ categories)
- (iv) The company gives four years ..... on the washing machine. (garantee/ guarantee)
- (v) The ..... period of the gadget expired. (warantee/warranty)

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### 17.3 LET US SUM UP

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There are many words in the English language which are often misspelt. While writing business letters, one should be careful about such words. There is a long list of such words, a few of which are given in this unit to illustrate the point. Needless to over-emphasize, in case of any confusion, one must refer the dictionary instead of overlooking it, as misspelling creates poor impression.

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### 17.4 ANSWERS TO CHECK YOUR PROGRESS

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- A**      1. (i) definitely                      (ii) guarantee    (iii) liaison      (iv) plagiarize    (v) repetition
2. (i) argument                      (ii) business      (iii) categories    (iv) guarantee    (v) warranty

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### 17.5 Terminal Questions

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1. Make a list of 20 such words that are often used in business communication but are often misspelt.
2. Tick the words that are correctly spelt.
  - (i) warrantee
  - (ii) indispensable
  - (iii) intelligence
  - (iv) jewellery
  - (v) liaison