Business Finance

S.Y. B.Com. Semester-III

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1. BUSINESS FINANCE

Literally speaking, the term business finance connotes financing of business activities. Thus, to develop the meaning of business finance, appreciation of the meaning of the terms business and finance is necessary. The word **Business** must be understood to embrace every human activity (usually activated by the hope of profits, whereby man's wants are supplied. In common parlance the word 'Business' is used to denote merchandising (commercial) activity undertaken for the purpose of earning profits. Business may be refered to as any activity in a nature of commerce, occupation or a profession. **Commerce** includes trade and aids to trade. **Trade** is an action of buying and selling of goods and services while **aids to trade** refers to the supporting activities like banking, communication, logistics, etc supporting trade. **Occupation** refers to a job or commercial activity while the word **Profession** can be called an occupation when a person is paid for his particular skills, and his deep knowledge.

Forestry, mining, fishing, farming, manufacturing, practising medicine, trading, transporting, shipping, building, banking, merchandising and many other activities are businesses that help to supply material wants through goods and services. The supply of goods and services stem up from business can be categorized into three groups : Commerce, Industry and Service.

Commerce as explained above through trade and aids to trade are concerned with the transfer of commodities through numerous channels from the producer to the ultimate consumers. **Industrial activity**, on the other hand, is concerned with the production and sale of goods produced. Thus, agriculture business produce agricultural goods while industrial businesses are those that produce commodities either by manufacture or by some definite treatment of materials or that produce and supply the raw materials, which may be used in their original form or form which marketable commodities can be manufactured. In addition, there are certain business activities that do not deal in tangible commodities; instead they render services for making profit. Such activities are classified under the category '**Services**'.

1.1 Meaning and Definition of Finance

To carry out any business activity one needs money. It is important to understand that **money** is only a medium of exchange (payment) for goods and services. Thus having money alone will not suffice to carry out a business, one needs something more than that. Broadly, the important resource needed to carry out business is '**finance**'. Having explained the meaning of business and money we now proceed ahead to understand the term finance.

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Chapter 1

CO-ORDINATE SYSTEM

Rectangular Cartesian Co-ordinate System

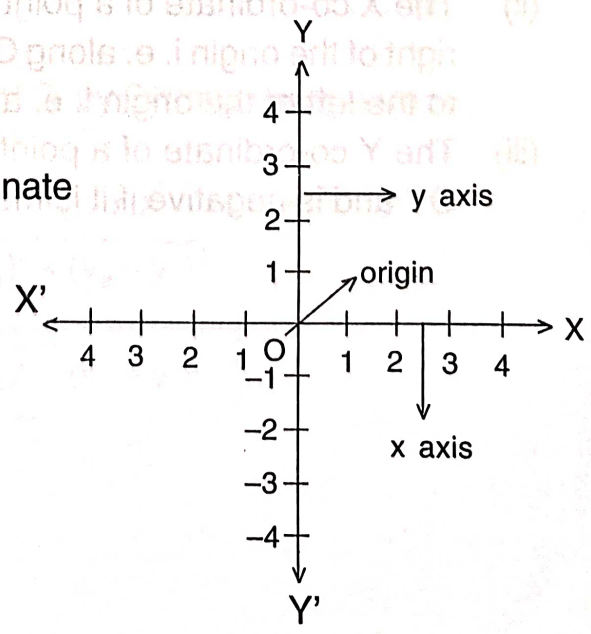
1.1 Co-ordinate Geometry

Co-ordinate geometry is that branch of Mathematics which deals with the study of geometry by means of algebra. In co-ordinate geometry, a point in a plane is represented by an ordered pair of real numbers called co-ordinates of the point and a straight line or a curve is represented by an algebraic equation with real coefficients.

Thus we use algebra for the study of geometry.

1.2 The Cartesian system of Co-ordinates

When two numbered lines perpendicular to each other (usually horizontal and vertical) are placed together such that the two origins (the points corresponding to zero) coincide, then the resulting configuration is called a **Cartesian Co-ordinate system**

Let X'OX and Y'OY be two number lines perpendicular to each other, meeting at the point O then

(i) X'OX is the X axis
(ii) Y'OY is the Y axis
(iii) O is the origin
(iv) X'OX and Y'OY taken together are the co-ordinate axes.