

Department of Commerce (CA)

BUSINESS ENVIRONMENT 18MCC13C

Semester: I

I M. com. (CA)

UNIT 4

Business Combination - Competition policy  
and law - Competition Act 2002 - Regulation of  
Combination - FEMA and SEBI

REFERENCE BOOK

Business Environment

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Business combination is amalgamation of the assets of two or more business entities for their consolidation as a single entity under single ownership.

### Objectives

- ① Achieving sustained growth and profits
- ② Reduction in competition
- ③ Preventing the entry of new firms
- ④ Achieving monopoly status
- ⑤ Undertaking large scale production
- ⑥ Avoiding cut throat competition
- ⑦ Achieving financial strength
- ⑧ Investing in Research & Development
- ⑨ Maintaining stability in price

### Causes of business combination

- ① Wasteful competition
- ② Economies of large scale organisation
- ③ Desire for monopoly power
- ④ Individual organising ability

### Types of business combination

- ① Horizontal combination
- ② Vertical combination
- ③ Lateral combination

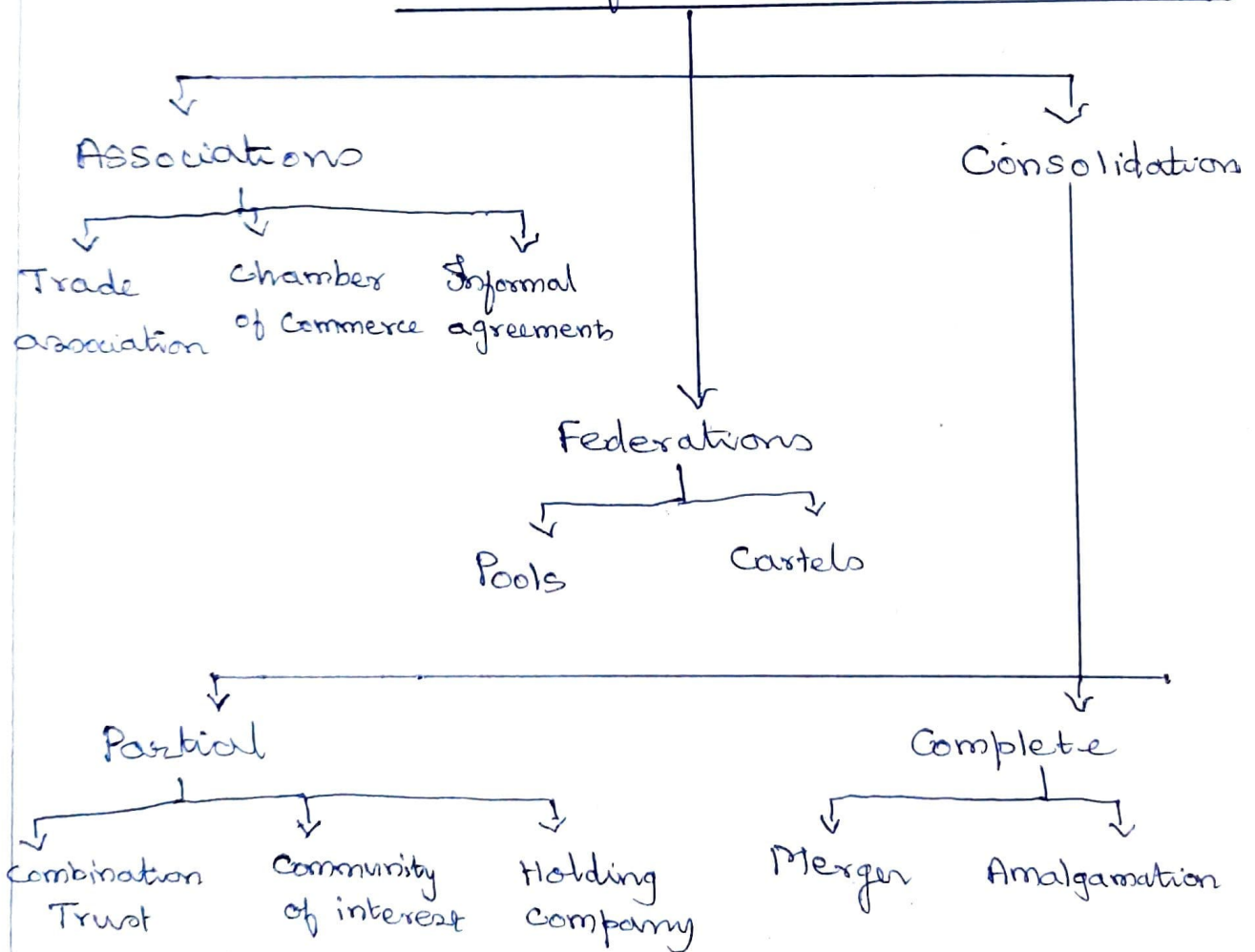
Lateral Combination may be

- Ⓐ Convergent lateral combination
- Ⓑ Divergent lateral combination

Ⓐ Diagonal or service combination

Ⓑ circular or mixed combination

### Forms of business combinations



## Competition Policy and Law

Competition means the economic rivalry amongst the suppliers and service providers present in the relevant market

### Competition Policy

It means those Government measures that directly affect the behaviour of enterprises and the structure of industry

Competition Policy	Competition Law
<p>It refers to all those measures, executive policies, guidelines and approach by the Government to the competition issues in the relevant market</p> <p>It is the main frame</p>	<p>It is the legal enactment, which can be enforced in the court of law.</p> <p>It is the ancillary support</p>

### Elements of Competition Policy

- ① Setting policies that enhance competition in local and national markets
- ② Designing law to prevent anti-competitive business practices

## Social objectives of Competition Law

① Provision of education, employment and health

② Optimum allocation of available resources

③ Open market policy

④ Licensing conditions

⑤ Achieving self reliance

⑥ Concept of single national market

⑦ Basic price maintenance

⑧ Consumer welfare and protection

⑨ Competitive advocacy

⑩ Principles of equity

⑪ Democracy

## COMPETITION ACT, 2002

It was enacted by the Parliament of India and governs Indian Competition Law.

It replaced MRTP Act, 1969

Under this the Competitive Commission of India was established to prevent the activities that have an adverse effect on competition in India. It extends to whole India

Citation	Act No. 12 of 2003
Enacted by	Parliament of India
Assented to	13 January 2003
Commenced	31 March 2003
Introduced by	Mr. Arun Jaitley

### Features

- ① Prohibition of anti competitive agreements
- ② Prohibition of abuse of dominance
- ③ Regulation of combination
- ④ Establishment of Competition Commission
- ⑤ Powers and functions of Competition Commission

Social objectives - Already given in Page 36

### Regulation of Combinations

No person or enterprise shall enter into a combination which causes an adverse effect on competition within the relevant market

By establishing Competition Commission of India it is regulated

## Foreign Exchange Management Act, 1999

It is the act of Parliament " to consolidate and amend the law relating to foreign exchange with objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India

### Objectives

Main objective is to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and to promote orderly development and maintenance of foreign exchange market in India

### Features

- ① To regulate the flow of payments from outside the country
- ② To carry out all transactions through authorised persons
- ③ To restrict individual to carry out foreign exchange deals within current account

① To empower RBI to place restrictions on transactions from capital account

### Structure

① Head office of FEMA is headed by the director located in New Delhi

② There are 5 Zonal offices in Delhi, Mumbai, Kolkata, Chennai and Jalandhar headed by Deputy directors

③ Every 5 zones are divided into 7 sub zonal offices headed by Assistant directors

### Penalty

If any one contravenes the provision the penalty is Rs. 2 lakhs if it is continued additional penalty of Rs. 5000 per day.