TEACHING PLAN

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	MALYALA JAGADEESH
Course/Group	I B.Com
Paper	**Fundamentals of Accounting**
Name of the Topic	**Introduction to Accounting**
Hours Required	8 Hours
Learning Objectives	Need for Accounting, Objectives of Accounting, Functions of Accounting, Advantages and Disadvantages of Accounting, Branches of Accounting, Book keeping, Accounting, Accountancy**.**
Previous Knowledge to be reminded	*Yes, Reminded*
Topic Synopsis	Definition and Importance of Accounting, Objectives of Accounting,Need for Accounting, Objectives of Accounting, Functions of Accounting, Advantages and Disadvantages of Accounting, Branches of Accounting, Book keeping,Accounting,Accountancy.
Examples / Illustrations	
Additional inputs	*Internet citation for identify the most powerful entrepreneurs in the world*
Teaching Aids used	*Black Board*
References cited	PC.Tulasian SP Jain KL Narang
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*

Signature of the Lecturer

Accounting:

The American Institute of Certified Public Accountants (AICPA) had defined accounting is a language of business an art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of financial character, and interpreting the results thereof.

Accounting is the process of recording financial transactions pertaining to a business. The accounting process includes recording classifying summarizing, analyzing, and interpreting reporting these transactions to oversight agencies, regulators, and tax collection entities. The financial statements used in accounting are a concise summary of financial transactions over an accounting period, summarizing a company's operations, financial position.

Objectives of Accounting

To maintain a systematic record of business transactions

- Accounting is used to maintain a systematic record of all the financial transactions in a book of accounts.
- For this, all the transactions are recorded in chronological order in Journal and then posted to principle book i.e. Ledger.

To ascertain profit and loss

- Every businessman is keen to know the net results of business operations periodically.
- To check whether the business has earned profits or incurred losses, we prepare a "Profit & Loss Account".

To determine the financial position

- Another important objective is to determine the financial position of the business to check the value of assets and liabilities.
- For this purpose, we prepare a "Balance Sheet".

To provide information to various users

- Providing information to the various interested parties or stakeholders is one of the most important objectives of accounting.
- It helps them in making good financial decisions.

To assist the management

- By analysing financial data and providing interpretations in the form of reports, accounting assists management in handling business operations effectively.

Characteristics of Accounting:

The following attributes or characteristics can be drawn from the definition of Accounting:

(1) Identifying financial transactions and events

- Accounting records only those transactions and events which are of financial nature.
- So, first of all, such transactions and events are identified.

(2) Measuring the transactions

- Accounting measures the transactions and events in terms of money which are considered as a common unit.

(3) Recording of transactions

- Accounting involves recording the financial transactions inappropriate book of accounts such as Journal or Subsidiary Books.

(4) Classifying the transactions

- Transactions recorded in the books of original entry – Journal or Subsidiary books are classified and grouped according to nature and posted in separate accounts known as 'Ledger Accounts'.

(5) Summarising the transactions

- It involves presenting the classified data in a manner and in the form of statements, which are understandable by the users.
- It includes Trial balance, Trading Account, Profit and Loss Account and Balance Sheet.

(6) Analysing and interpreting financial data

- Results of the business are analyzed and interpreted so that users of financial statements can make a meaningful and sound judgment.

(7) Communicating the financial data or reports to the users

- Communicating the financial data to the users on time is the final step of Accounting so that they can make appropriate decisions.

Advantages of Accounting

The following are the main advantages of accounting:

1. Provide information about financial performance

- Accounting provides factual information about financial performance during a given period of time
- Like, profit earned or loss incurred over a period and financial position at a particular point of time.

2. Provide assistance to management

- Accounting helps management in business planning, decision making and in exercising control.
- For this, it provides financial information in the form of reports.

3. Facilitates comparative study

- By keeping systematic records and preparation of reports at regular intervals, accounting helps in making a comparison.

4. Helps in settlement of tax liability

- Systematic accounting records help in settlement of various tax liabilities. Such as – Income Tax, GST, etc.

5. Helpful in raising loan

- Banks and Financial Institutions grant a loan to the firm on the basis of appraisal of the financial statement of the firm.

6. Helpful in decision making

- Accounting provides useful information to the management for taking decisions.

Limitations of Accounting

Following are the limitations of accounting:

- **Accounting is not precise**: Accounting is not completely free from personal bias or judgment.
- **Accounting is done on historic values of assets:** Accounting records assets at their historical cost less depreciation. It does not reflect their current market value.

- **Ignore the effect of price level changes:** Accounting statements are prepared at historical cost. So changes in the value of money are ignored.
- **Ignore the qualitative information:** Accounting records only monetary transactions. It ignores the qualitative aspects.
- **Affected by window dressing:** Window dressing means manipulation in accounting to present a more favourable position of the business than the actual position

Branches of Accounting

(a) Financial accounting:

Financial Accounting is that branch of accounting which involves identifying, measuring, recording, classifying, summarising the business transactions, i.e. it involves the steps from Identifying, Recording of transactions to Summarisation, and communicating the financial data.

(b) Cost accounting:

Cost Accounting is that branch of accounting which is concerned with the process of ascertaining and controlling the cost of products or services.

(c) Management accounting

Management accounting refers to that branch of accounting which is concerned with presenting the accounting information in such a way that helps the management in planning and controlling the operations of a business and in decision making.

Generally Accepted Accounting Principles:(GAAP)

Generally Accepted Accounting Principles or GAAP is a defined set of rules and procedures that needs to be followed in order to create financial statements, which are consistent with the industry standards.

GAAP helps in ensuring that financial reporting is transparent and uniform across industries. As financial information is based on historical data, therefore in order to facilitate comparison between data from various sources, GAAP must be followed.

GAAP is developed by the Financial Accounting Standards Board (FASB)

The following GAAP principles can be discussed:

1. Principle of Consistency: This principle ensures that the organizations use consistent standards while recording the transactions.
2. Principle of Regularity: This principle states that all the accountants abide by the rules and regulations as per GAAP.
3. Principle of Sincerity: This principle states that an accountant should provide an accurate depiction of the financial situation of a business.
4. Principle of Permanence of Method: This principle states that consistent practices and procedures should be followed for financial reporting purposes.
5. Principle of Prudence: This principle states that financial data should be reasonable, factual and should not be based on any speculation.

6. Principle of Continuity: This principle states that the valuation of assets is based on the assumption that the business will be continuing its operations in the future.
7. Principle of Materiality: This principle lays emphasis on the full disclosure of the true financial position of the business.
8. Principle of Periodicity: This principle states that business entities should abide by the commonly accepted accounting periods for financial reporting such as yearly, half-yearly, etc.
9. Principle of Non-compensation: This principle states that no business entities should expect compensation in return for providing accurate information in financial reporting.
10. Principle of Good Faith: This principle states that all the parties involved in financial reporting should be honest in reporting the transactions.

Accounting Concepts

1. **Business entity concept:** A business and its owner should be treated separately as far as their financial transactions are concerned.
2. **Money measurement concept:** Only business transactions that can be expressed in terms of money are recorded in accounting, though records of other types of transactions may be kept separately.
3. **Dual aspect concept:** For every credit, a corresponding debit is made. The recording of a transaction is complete only with this dual aspect.
4. **Going concern concept:** In accounting, a business is expected to continue for a fairly long time and carry out its commitments and obligations. This assumes that the business will not be forced to stop functioning and liquidate its assets at “fire-sale” prices.
5. **Cost concept:** The fixed assets of a business are recorded on the basis of their original cost in the first year of accounting. Subsequently, these assets are recorded minus depreciation. No rise or fall in market price is taken into account. The concept applies only to fixed assets.
6. **Accounting period concept:** Each business chooses a specific time period to complete a cycle of the accounting process—for example, monthly, quarterly, or annually—as per a fiscal or a calendar year.
7. **Matching concept:** This principle dictates that for every entry of revenue recorded in a given accounting period, an equal expense entry has to be recorded for correctly calculating profit or loss in a given period.
8. **Realisation concept:** According to this concept, profit is recognised only when it is earned. An advance or fee paid is not considered a profit until the goods or services have been delivered to the buyer.

Accounting Conventions

There are four main conventions in practice in accounting: conservatism; consistency; full disclosure; and materiality.

Conservatism is the convention by which, when two values of a transaction are available, the lower-value transaction is recorded. By this convention, profit should never be overestimated, and there should always be a provision for losses.

Consistency prescribes the use of the same accounting principles from one period of an accounting cycle to the next, so that the same standards are applied to calculate profit and loss.

Materiality means that all material facts should be recorded in accounting. Accountants should record important data and leave out insignificant information.

Full disclosure entails the revelation of all information, both favourable and detrimental to a business enterprise, and which are of material value to creditors and debtors.

Fundamental Accounting Assumption:

- Fundamental accounting assumptions are the assumptions which are presumed to have been followed while preparing the books of accounts.
- If they are not followed, then reasons should be disclosed for not following them.

There are 3 basic Accounting Assumptions:

Going Concern Assumption

- The concept of going concern assumes that a business firm would continue and carry out its operations for a foreseeable future.
- There is no intention to close down the business, not any necessity to scale down its business activities.
- The business firm will not dissolve until it is required by the law.
- Because of this difference between capital expenditure (gives long term benefit to the business) and revenue expenditure (its benefit is taken in the same accounting year) is made.

- Example-if fixed asset is purchased, then its cost is spread over its useful life and its total cost is not treated as an expense in the year of purchase.

Consistency Assumption

- According to this assumption, accounting policies and practices once selected and adopted are followed every year.
- They should be applied consistently over the period of time.
- It helps in the comparative study of financial statement of the current year with that of the previous year.
- It eliminates the factor of personal bias.
- Previous policies can be changed if:
  - Required by law or accounting standards
  - It will result in a more meaningful presentation.
- Changes should be disclosed.

Accrual Basis Assumption

- Revenue and expenses are recognised in the period in which they occur rather than when they are received or paid.
- It is an important concept because it recognises the assets, liabilities, incomes and expenses only when transactions related to it are entered into.
- Profit is recognised when the sale of goods & services has been made, and obligation is transferred to the customer to pay in return.
- Similarly, Expense is also recognised when goods and services are purchased, and obligation is created to pay for them.

Systems of Accounting

Systems of accounting refer to the two systems of recording the financial transactions in the books of accounts. These two systems are the single entry system and the Double or dual entry system.

Single Entry System

This system is also known as pure entry system. It does not follow the traditional dual recording format. Instead, in a single entry system, only a Cash Book will be maintained. All cash transactions will be recorded in the Cash Book. No other Ledgers find a place in this system. All transactions of personal nature are simply recorded in a rough book.

As you can notice, this method is not very scientific. So it is rarely used in the modern days. We use the single entry system only to prepare final accounts from records that are incomplete for some reason. Some other salient features of the single entry system are,

- Since only one cash book is kept, personal and business transactions will be recorded together
- Real and Nominal accounts will be ignored by this system
- Profit or Loss can be ascertained but we cannot represent the financial position of the organization
- No trial balance is prepared, so arithmetical accuracy of accounts cannot be verified

Double Entry System

This is the more traditional and conventional system for recording transactions in financial accounting. This is a scientific method which has some rules and principles which must be followed. The basic essence of the double entry system is that every transaction will affect two accounts. This is known as the debit and credit rule – every credit entry, there must be a corresponding debit entry.

The double entry system is the one widely used and recognized in the accounting world. Some salient features of this system are,

- All three types of accounts are maintained in this system – real, nominal and personal
- The arithmetic accuracy of the financial records are verified by preparing the trial balance
- The system does not have many modifications.
- It allows for the preparation of the balance sheet which will reflect the financial position of the organization
- Easy to detect frauds and errors in this double entry system

Advantages of double entry system

- In contrast to a single entry, this is a scientific method of tracking business transactions. It assists in the rechecking and cross-checking of accounting documents.
- Both sides of a transaction are registered as debit and credit in this system, so we keep separate accounts for the purchase and payment.

- When we pass an entry on both sides, the account is automatically reviewed in this method. We will quickly find the error if both sides of the trial balance are not balanced.
- The profit and loss account indicates how much profit or loss was made over a given time.
- As long as we have the accounting books, we can analyse the profit and loss report and balance sheet of any two or more years.
- Since any transaction has two records, misappropriations and frauds can be easily identified.
- We will calculate the financial status of the company at the end of the year by preparing a profit and loss report and a balance sheet.

Disadvantages of double entry system

- The double-entry system is complex in nature since it must respond to various accounting standards and principles.
- Maintaining accounting books takes more time, that necessitates the recruitment of more staff, leading to a cost increase.
- Since their fees are too high, small companies cannot afford to hire anyone with proper accounting skills.
- Every transaction must be documented twice, resulting in larger books or the need for a more efficient computer to process data in electronic form.

Difference between Single Entry and Double Entry System

Single Entry System	Double Entry System
A single Entry System is a bookkeeping system in which only one part of a transaction is recorded, such as debit or credit.	A double entry system is a method of recording transactions in which both sides of a transaction are recorded.
This sort of bookkeeping is not for tax purposes. To put it another way, it is not accepted by the tax authorities.	This method of bookkeeping is acceptable for tax purposes. To put it another way, this method is accepted by the tax authorities.
If you use a single-entry bookkeeping system, you won't be able to prepare a trial balance.	In the case of a double-entry bookkeeping system, a trial balance can be prepared.
We can't accurately determine the company's financial status using the Single Entry System of Bookkeeping.	We accurately determine the company's financial status using the Double Entry System of Bookkeeping.
The single entry bookkeeping system is an inadequate accounting system since it does not record all financial transactions. Instead, it only tracks personal accounts such as debtors, creditors, and cash.	The double entry bookkeeping system is a full accounting system since it records all financial activities and categorize them into personal, real, and nominal accounts.
While keeping books of account under it, there is a considerable chance of workers committing frauds and errors.	While keeping books of account under it, there is a reduced danger of workers making frauds and errors.
Because it is not maintained to a specific standard, only the business owner can utilize it.	Because all books are kept in standard formats, this system can be used by any involved parties.
This system is only appropriate for small businesses.	It's appropriate for any business.

Basis of Accounting

This deals with the timing of the revenue recognition, i.e. when should the revenue be recognized in the books of accounts. There are two approaches to this dilemma – cash basis of accounting and accrual basis of accounting.

Cash Basis of Accounting

This is the simpler, uncomplicated approach. Under the cash system of accounting an income will only be recorded when it comes in. So an income will be earned when it is received in cash by the organization. And similarly, the expenses will also be recorded only when they are actually made.

Accrual Basis of Accounting

Accrual basis is the more logical and scientific approach to accounting. This is the method most organizations chose to adopt, as it gives a more fair representation of the financial position of the company.

In the accrual system, the revenues and expenses are recognized in the time period in which they occur, not when the money actually comes in. So the income will be recorded if it is earned irrespective of whether the payment has come in or not. And the expense is recorded when it becomes due, irrespective of whether it has been paid.

So in accrual system, all incomes and expenses – cash items and non-cash items (like prepaid/outstanding expenses and accrued/advance income) will be taken into account. And the final accounts will be a true representation of the organization's financial position.

Bookkeeping

Bookkeeping is the process of maintaining and recording all financial transactions in the original books of entry of a business. The bookkeeping process involves summarising and organising all the company's financial transactions chronologically in a systematic manner.

Bookkeeping focuses on the day-to-day financial activities and transactions of a business. The bookkeepers maintain and record the books of accounts. All the financial transactions such as payment of taxes, sales revenue, loans, interest income, payroll and other operational expenses, investments, etc., are recorded in the original books of accounts.

The books of account need to be up-to-date as it is the basis for accounting. The accuracy of bookkeeping determines the accuracy of the accounting process followed by a business.

Accounting

Accounting is the process of interpreting, analysing, summarising and reporting the financial transactions of a business. The financial statements prepared in accounting are a precise summary of financial transactions over an accounting period. These statements summarise a company's financial position, operations, and cash flows.

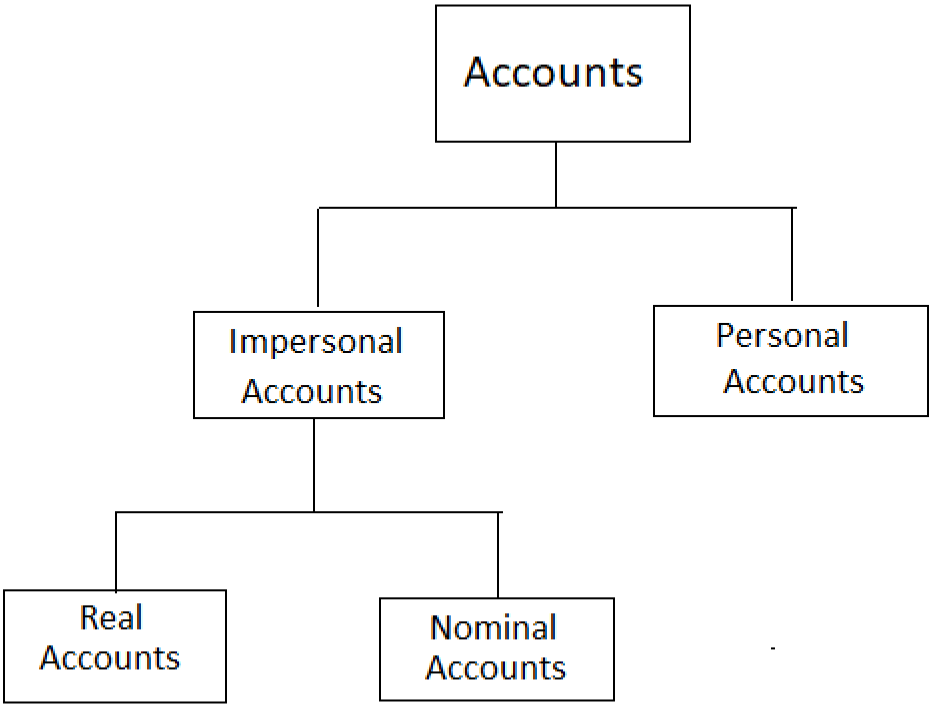
Accounting consolidates financial information to make it understandable and clear for all stakeholders. It helps businesses to maintain timely and accurate records of their finances.

The accountant maintains and compiles the records of a company's daily transactions into financial statements such as the income statement, statement of cash flows and balance sheet. The financial statements help to assess the performance of a company by all stakeholde

Differences between Bookkeeping and Accounting

Bookkeeping	**Accounting**
Definition	
Bookkeeping deals with identifying and recording financial transactions only	Accounting refers to the process of summarising, interpreting and communicating the financial data of an organisation.
Decision making	
Data provided by bookkeeping is not sufficient for decision making	Management can take important decisions based on the data obtained from accounting
Preparation of Financial Statement	
Not done in the case of bookkeeping	Financial statements are a part of the accounting process
Analysis	
No analysis is required in the bookkeeping	Accounting analyses the data and creates insights for the business
Persons Involved	
The person concerned with bookkeeping is known as a bookkeeper	The person concerned with accounting is known as an accountant
Determining Financial Position	
Bookkeeping does not show the financial position of a business	Accounting helps in showing a clear picture of the financial position of a business
Level of Learning	
No high-level learning required	High-level learning required for understanding and analysing accounting concepts

Classification of Accounts under the Traditional (or British) Approach



According to the traditional approach, accounts are classified into three types: Personal Accounts, Real Accounts and Nominal Accounts. Given that it is an old system for classifying accounts, it is used rarely in practice.

Personal Account

Personal accounts are the accounts that are used to record transactions relating to individual persons, firms, companies, or other organizations.

Examples of such accounts include an individual's accounts (e.g., Mr. X's account), the accounts held by modern enterprises, and city bank accounts.

Rule: Debit the Receiver

Credit the Giver

Impersonal Accounts

Impersonal accounts are those that do not relate to persons. There are two types:

1. Real accounts (or permanent accounts)
2. Nominal accounts (or temporary accounts)

Real Account

Real accounts exist even after the end of accounting period. For the next accounting period, these accounts start with a non-zero balance, which is carried forward from the previous accounting period.

Examples of such accounts include machinery accounts, land accounts, furniture accounts, cash accounts, and accounts payable accounts.

Usually, real accounts are listed in the balance sheet of the business. For this reason, they are sometimes referred to as balance sheet accounts.

Rule: Debit what comes into the Business

Credit what goes out from the Business

Nominal Account

Nominal accounts are closed at the end of the accounting period. For the next account period, these accounts start with a zero balance. Nominal accounts typically cover issues such as income, gains, expenses, and losses.

Normally, nominal accounts are used to accumulate income and expense data. In turn, these data can be used to prepare income statements or trading and profit and loss accounts. For this reason, nominal accounts are sometimes referred to as income statement accounts.

Examples of nominal accounts include sales, purchases, gains on asset sales, wages paid, and rent paid.

Rule: Debit all expenses and losses

Credit all incomes and gains

Classification of Accounts Under the Modern (or American) Approach

The modern approach has become a standard for classifying accounts in many developed countries Specifically, under the modern approach, accounts are classified into the following five groups:

1. **Asset accounts:** Examples include land accounts, machinery accounts, accounts receivable accounts, prepaid rent accounts, and cash accounts.
2. **Liability accounts:** Examples include loan accounts, accounts payable accounts, wages payable accounts, salaries payable accounts, and rent payable accounts.
3. **Revenue accounts:** Examples include sales accounts, service revenue accounts, rent revenue accounts, and interest revenue accounts.
4. **Expense accounts:** Examples include wage expense accounts, commission expense accounts, salary expense accounts, and rent expense accounts.
5. **Capital/owner's equity accounts:** An example is an individual owner's account (e.g., Mr. X's account).

Journal:

A journal is the book of original entry which records transactions as they take place, such an entry into the journal must contain a source document. Maintaining a journal ensures all transactions are recorded and in one place and debit and credit for each transaction is linked properly.

Meaning of Journal

Journal is the book of prime entry also called the book of original entry. That is, transactions are first entered here and is the most important book of accounts. The transactions are recorded systemically and in chronological order.

They are entered to show which accounts should be debited or credited. Recording of transactions in "Journal" is called as **"Journalizing the entries"**

"Journal" is derived from the Latin word **'Jour'**, which means **'a Day'**. The transactions are first entered here and it is then subsequently posted to another account book called as "Ledger".

Journalizing Process

Journalizing refers to recording business transactions systematically and in a summarized form in the journal. It means a process of entering the twofold effects of transactions in the form of debt and credit in the journal.

Form of Journal

Date	Particulars	Ledger Folio(LF)	Debit Amount	Credit Amount

Significance and explanation of columns in the Journal

- **Date Column**: In the first column the date of the transaction is entered, the year is most probably written on the top of the column than to repeat it every day.
- **Particulars Column**: Here the accounting entry is written in a summarized form of debit and credit.
- **Ledger Folio No. Column (L.F.)**: In this column, the page number of the Ledger in which the journal entry is posted, is recorded. This also helps is easy cross verification and reference in the future.
- **Debit Amount Column**: The amounts to be debited to the accounts concerned or involved are written.
- **Credit Amount Column**: The amounts to be credited to the accounts concerned or involved are written.

Ledger Account

A ledger in accounting refers to a book that contains different accounts where records of transactions pertaining to a specific account is stored. It is also known as the book of final entry or principal book of accounts. It is a book where all transactions either debited or credited are stored.

A ledger account is a combination of all the ledgers and contains information related to all the accounting activities of an organisation. It is regarded as the most important book in accounting as it helps in creating a trial balance that acts as a precursor to the preparation of financial statements.

The information stored in a ledger account contains both starting and ending balances which are adjusted during the course of the accounting period with respective debits and credits.

A ledger contains different components which include the various transaction elements such as date, amount, particulars and l.f (ledger folio). Individual transactions are contained within a ledger account and are identified by a transaction number or any other type of notation.

Ledger Format

The ledger consists of two columns prepared in a T format. The two sides of debit and credit contain date, particulars, folio number and amount columns. The ledger format is as follows.

Name of the Account

Dr. **Cr.**

Date	Particulars	J.F.	Amount ₹	Date	Particulars	J.F.	Amount ₹

Ledger Posting:

After the transactions are recorded in the journal, it is then posted in the principal book called as 'Ledger'. The process of transferring the entries from journal to respective ledger accounts is called ledger posting. Balancing of ledgers is carried to find out differences at the end of the year.

Ledger posting is entering information in the ledger, in respective accounts from the journal for individual records. The account debited is posted on the debit side and the account credited is posted on the credit side of the same account.

This process is carried throughout the year and at the end of the financial year the ledger accounts are closed and are totaled and balanced. This process is called the balancing of the ledger accounts.

Balancing of Ledger

At the end of every accounting year all the accounts which are operated in the ledger book are closed, totaled and balanced. Balancing of ledgers means finding the difference between the debit and credit amounts of a particular account i.e. heavier total and lighter total difference and recording that difference amount on the lighter total side.

Steps for Balancing Ledger Account

1. First of all, calculate the totals of debit and credit columns separately on a rough sheet to avoid mistakes. Find out the difference between the heavier total and lighter total by subtracting the lower from higher. The difference is called a Balance amount.
2. If the total of the debit side is heavier than that of the credit side, the balance is called as "Debit Balance" and is written on the credit side (the side with lower amount) of that

particular account as “By Balance c/d” or “By Balance c/FD”. Here, c/d means carried down and c/FD means carried forward.

3. Similarly, if the total of the credit side is more than that of debit side total, the balance is called “Credit Balance”. The difference amount is written on the debit side of the account as “To balance c/d” or “To balance c/fd”
4. Once we get the heavier total it should be written in both the columns’ total. Draw double lines across the total below the amounts which indicates the account is closed and balanced.
5. Last year’s closing balance is the opening balance of the current year. So, if there is debit it should be shown on the debit side of a particular account as “To Balance b/d” or “To Balance b/fd”. Here, b/d means brought down and b/fd means brought forward.

Note: Nominal accounts are not balanced; the balances are transferred to profit and loss account.

TEACHING PLAN

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	M JAGADEESH
Course/Group	I B.Com
Paper	Fundamentals of Accounting
Name of the Topic	Journal-Ledger Accounts
Hours Required	8 Hours
Learning Objectives	• Journal-Introduction to Journal Entries • Recording of Journal Entries – By using rules of accounting • Preparation of Ledger accounts
Previous Knowledge to be reminded	Yes, in intermediate.
Topic Synopsis	➢ Concept of Journal ➢ Proforma of Journal ➢ Journal Entries ➢ Recording of Transactions in Journal ➢ Recording of Debit, Credit Aspects of Transactions ➢ Ppractice of Journal Entries(Illustrations)
Examples / Illustrations	Journal entries problems
Additional inputs	
Teaching Aids used	Black Board,
References cited	PC TULASIAN SP Jain KL Narang
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	Student Assignments

Journal:

A journal is a detailed account that records all the financial transactions of a business, to be used for the future reconciling of accounts and the transfer of information to other official accounting records, such as the general ledger. A journal states the date of a transaction, which accounts were affected, and the amounts, usually in a double-entry bookkeeping method.

A ledger account contains a record of business transactions. It is a separate record within the general ledger that is assigned to a specific asset, liability, equity item, revenue type, or expense type. Examples of ledger accounts are:

- Cash
- Accounts receivable
- Inventory
- Fixed assets
- Accounts payable
- Accrued expenses
- Debt
- Stockholders' equity
- Revenue
- Cost of goods sold
- Salaries and wages
- Office expenses
- Depreciation
- Income tax expense

Ledger Posting:

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Note: Nominal accounts are not balanced; the balances are transferred to profit and loss account.

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Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	M JAGADEESH
Course/Group	I B.Com
Paper	**Fundamentals of Accounting**
Name of the Topic	Subsidiary Books
Hours Required	8 Hours
Learning Objectives	**Subsidiary Books**-Meaning,Definition,Advantages, Importance of Subsidiary Books,Types of Subsidiary books, **Cash book-**Types of Cash Books, Petty Cash Book,Imprest System of Petty Cash Book.
Previous Knowledge to be reminded	Yes in ntermediate
Topic Synopsis	➢ Subsidiary Books – Introduction ➢ Advantages and Disadvantages ➢ Types of Subsidiary Books ➢ Purchase Book ➢ Purchase Returns Book ➢ Sales Book ➢ Sales Return Book
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Black Board*
References cited	
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

Signature of the Lecturer

Subsidiary books: Subsidiary books are books of original entry. In the normal course of business, a majority of transactions are either relate to sales, purchases or cash. So we record transactions of the same or similar nature in one place, i.e. the subsidiary book. And we record these transactions in chronological order.

This actually saves a lot of man-hours and tiresome clerical work. Instead of journalizing each entry, they are recorded into various subsidiary books. Think of your subsidiary book as sub-journals that record only one type of transaction.

There is no separate entry for these transactions in the general ledger. The posting to the Ledger Accounts is done from the subsidiary book itself. This method of recording is known as the Practical System of Accounting or sometimes the English System.

Types of Subsidiary Books

The following are the subsidiary books a company will generally maintain while writing their accounts,

Purchase Book:- It is a book which records all the credit purchases of goods of the company. While it records all the cash purchases of goods in the Cash Book.We do not record Purchases of assets in Purchase Book. Thus, they are recorded in the Journal Proper.

Purchase Book Format

Date	Name of the Supplier and details of purchases	Invoice ref.	L.F.	Amount (₹)	Remarks

Purchase Return Book:- It is a book which records all the return of credit purchases of goods of the company A Debit Note is prepared for every return of goods in duplicate.It contains the name of the supplier, details of goods returned and reason thereof. It needs to be dated and serially numbered.

Purchase Return Book

Date	Particulars	Debit Note No.	L.F.	Details	Totals	Remarks

Sales Book:- It is a book which records all the credit sales of goods of the company. It records cash sales of goods in the Cash Book. We do not record the sale of assets in the Sales Book. Thus, we shall record them in the Journal Proper. In this case, also we record entries from the source documents. Also, we record entries with the net amount of the invoice.

Sales Book Format

Date	Particulars	Invoice ref.	L.F.	Amount (₹)	Remarks

Sales Return Book:- It is a book which records all the return of credit sales of goods of the companyA Credit Note is prepared for every return of goods in duplicate. The Credit Note contains the name of the customer, details of goods returned and reason thereof. It also needs to be dated and serially numbered.

Sales Return Book

Date	Particulars	Outward invoice	L.F.	Details	Totals	Remarks

Bills Receivable Book:- It is a book which records all the bills receivable.We need to post the total of bills receivable book to the Bills receivable A/c. Also, we need to post the individual accounts of the customers.

Bills Receivable Book Format

No. of bills	Day of receipt	From whom	Name of the receiver	Name of the drawer	Name of acceptor	Date of bill	Due date	L. F.	Amount of bill	How disposed off

Bills Payable Book:- It is a book which records all the bills payable We need to post the total of bills payable book to the Bills payable A/c. Also, we need to post the individual accounts of the suppliers.

Bills payable Book Format

No. of bills	Daye of acceptance	To whom	Name of drawer	Name of the payee	Where payable	Date of bill	Term	Due date	L. F.	Amount of bill how disposed of

Cash Book:- It is a book which records the receipts and payment of cash transaction It is a book of original entry as we record transactions in it for the first time from the source documents such as vouchers, invoices, etc.A cash book has a debit and a credit side both. Thus, it is similar to a ledger account. Hence, it acts as a subsidiary book as well as a ledger account.

Journal Proper Book:- All the transactions which are not recorded in the above books are recorded here ex: opening entry, closing entry, transfer entries, rectification entries, credit purchase and sale of assets depreciation, outstanding and pre-paid expenses, accrued and unearned income etc.

Debit Note:A source document on the basis of which the purchases returns book is prepared is known as debit note. Debit note is often defined as a note which is created by a buyer at the time of returning goods received on credit. It often serves as a reminder of current debt obligations.

Credit Note:A source document on the basis of which the sales returns book is written is known as credit note. Credit note is also known as a credit memo. It is issued by a seller to a buyer. It serves as an evidence of the reduction in sales.

Cash Book

Cash book is a special type of book that is only concerned with the recording of cash transactions of an organisation. It performs the dual role of both journal and a ledger for all the cash transactions taking place in a business organisation.

A cash book records all the cash receipts on the debit side and all the cash payments of the organisation on the credit side.

Features of Cash Book

Cash book has the following features:

1. Acts as both a journal and a ledger.
2. Can be used as an alternative to a cash account for recording transactions.
3. It follows the dual entry system of accounting (i,e. Debit and credit side in cash book).
4. The debit side should be identical to the credit side.
5. Cash book should always have a debit balance.

Advantages of Cash Book

Cash book offers the following advantages:

1.It offers easy verification of cash by matching the balance in the cash book with actual cash in hand and is therefore helpful in identifying mistakes in the entry.

2.It helps in creating a regular record of transactions date wise for the convenience of accounting personnel.

3. As it is maintained date wise, any cash payments or the transaction can be correctly traced back in the cash book.

4. It is helpful in detecting any cash frauds in the organisation.

5.It helps in saving time and labour by reducing the workload

Meaning of Trade Discount

Trade discount is referred to as the discount that is offered by a seller to the buyer of the product in the form of reduction in the price of the item.

Trade discounts are offered to increase the sales of the product and make the customers feel that they are getting the best offer. No accounts are maintained for keeping track of the discounts that are offered.

Meaning of Cash Discount

Cash discount is referred to as the discount that is offered by the seller of a product to the buyer at the time of payment for the purchase. This reduction is provided at the value of the invoice.

Cash discount is offered to make the customer or the buyer pay for the product promptly, it helps the business in reducing or avoiding the credit risk completely.

Such discounts are mostly used in business transactions, where a creditor will be reducing the amount to be paid by the debtor, if the payment is processed within the time limit.

Proper records are maintained for all such discount transactions both by the buyer and seller.

Differences between Trade discount and Cash discount

Basis of Comparison	Trade Discount	Cash Discount
Meaning	It is the type of discount that is offered by the seller to the buyer as a reduction in the price of the product	This discount is offered by the seller to the buyer on the invoice amount at the time of making payment within the stipulated time
Purpose of offering discount	To ensure bulk sales of the product	To ensure prompt payment for the items purchased
Accounting treatment	Not shown in any books of accounting, reduction adjusted with final price and the discounted price is added to record books	It is properly recorded in the books of both buyer and seller. Recorded in profit and loss statement as an expense
When discount is allowed	At the time the purchase is made	It is allowed at the time of payment
Allowed on transactions	Both cash and credit transactions	Only transactions involving cash payment are allowed.

Types of Cash Book

There are four types of cash books used for accounting purposes.

1.Single column cash book

2.Double column cash book

3.Triple column cash book

4. Petty cash book

Single column cash book: Single column cash book is also called a simple cash book. It presents entries for cash received (receipts) on the left side or debit side and cash payments on the right hand side or credit side.

The bank transactions and the discounts that are given for transactions will be featured in separate ledger accounts in case of single-column cash books.

Cash books are updated on a daily basis in some business firms. The most striking feature of a cash book is that it can never have a credit balance. It should always show a debit balance.

Double Column cash book: In a double column cash book, there is an additional column that is reserved for the discounts. Therefore, in a double-column cash book, also known as two-column cash book, the cash receipts and transactions are recorded in one column while the second column records discounts received and discounts provided.

Discount being a nominal account the discount provided is placed on the debit side of the cash book while discount received is placed on the credit side of the cash book.

At the end of the accounting period, both the columns are balanced, and the closing balances are transferred appropriately.

Triple/Three column cash book:

The **triple column cash book** (also referred to as **three column cash book**) is the most exhaustive form of cash book which has three money columns on both receipt (Dr) and payment (Cr) sides to record transactions involving cash, bank and discounts. A triple column cash book is usually maintained by large firms which make and receive payments in cash as well as by bank and which frequently receive and allow cash discounts.

The procedure of recording transactions in a triple/three column cash book is similar to that of a double column cash book. The only difference between two types of cash book is that a double column cash book has two money columns (i.e., cash and bank) whereas a triple column cash book has three money columns (i.e., cash, bank and discount).

The cash and bank columns of triple column cash book are used as accounts and are periodically totalled and balanced just like in case of a double column cash book. The discount column is only totalled. It is not balanced because it does not work as an account.

In general ledger, two separate accounts are maintained for discount allowed and discount received. The total of discount column on debit side of cash book represents the total cash discount allowed to customers during the period and is posted to the discount allowed account maintained in the ledger. The total of discount column on credit side represents the total cash discount received from suppliers during the period and is posted to the discount received account maintained in the ledger.

Discount allowed is an loss and discount received is an income of the business.

The format of a triple/three column cash book is given below:

Dr. Cash book with cash, discount and bank columns or three column cash book Cr.

Date	Receipts	L.F	Amount ₹			Date	Payments	L.F.	Amount ₹		
			Discount	Cash	Bank				Discount	Cash	Bank

The triple column cash book has six columns on both debit and credit sides. The purpose of each column is briefly explained below:

1. **Date:** The date column is used to enter the transaction date.
2. **Description:** The description column is used to write the name of the account to be debited or credited in the ledger as a result of cash or bank transaction.
3. **Journal Folio (J.F):** A Journal Folio is a document number in support of a transaction. The serial number of the voucher is entered in this column.
4. **Discount:** The amount of discount allowed is recorded on debit side and the amount of discount received is recorded on credit side in discount column. The totals of debit column and credit column are posted to discount allowed account and discount received account respectively.
5. **Cash:** The amount of cash received (net of any discount allowed) is entered on the debit side and the amount of cash paid (net of any discount received) is entered on the credit side in cash column. This column is totalled and balanced like a ledger account.
6. **Bank:** The amount of all receipts and payments made by the bank account are entered in bank column of the cash book. This column is also totalled and balanced like a ledger account.

Contra Entry:

Contra entry refers to transactions involving cash and bank account. In other words, any entry which affects both cash and bank accounts is called a contra entry. Contra in Latin means the opposite. It is more popularly known as contra voucher.

To make the definition further simpler, any transactions involving a transfer of cash between one cash a/c to another or one cash a/c to another bank a/c or one bank account to another is called as a contra entry.

Some transactions that can lead to contra entry.

1. Opening of a bank account
2. Depositing cash into bank
3. Withdrawal from bank for office use
4. Cheques deposited into the bank on the following day

Petty cash book:

A petty cash book is just another kind of cash book that records petty cash transactions, i.e. small recurring payments.

Petty cash book, as the name suggests, is for very small transactions that take place in an organization. Such transactions can occur in a day and are repetitive in nature, which can put undue load on the general cash book. For this reason, it is maintained separately.

Examples of such transactions are: stationery, postage, food bills, etc.

Meaning of Analytical Petty Cash Book:

In large business concerns, the petty cash book is maintained in columnar [or analytical] form, with a separate column for each usual item of expense and a column for total. This type of Petty Cash Book is known as Analytical Petty cash Book. This type enables the businessman to know the information about the amount being spent on each head of petty expense.

It also saves time in posting each item of petty payments unnecessarily in the ledger; only totals of various columns are to be posted in the ledger. The ruling of analytical petty cashbook is given below.

Analytical Petty Cash Book

Amount Received Rs.	Date	Particulars	Vou. No.	Total Amount Paid	Post-age	Stationery	Carriage	T.exps.	Sundry Exps
		Total							

Meaning of Imprest System of Petty Cash:

Imprest system of petty cash is a system where the petty cashier is given a lump sum in cash [often called a float] keeping in view the possible needs of the business to meet its petty expenses for a stated period, e.g., a week, or a month.

At the end of this period, the petty cashier submits the accounts for the amount spent by him during the period and gets from the main cashier the exact amount of petty cash disbursed, thus bringing his cash balance to the original starting figure. This system is known as imprest system.

Advantages of Imprest System:

1. The money in the hands of petty cashier is limited to the imprest

amount, thus the risk of misuse of cash or fraud is minimized.

2. While reimbursing the petty cash expenses, the main cashier will necessarily examine the Petty Cash Book to make sure that the amount is correctly arrived at. Discrepancies will be revealed and mistakes soon be rectified.

3. At any time the amount of cash in hand plus expenses not reimbursed must equal the imprest amount, thus facilitating a simple check.

4. The liability of petty cashier in this system can never exceed the imprest amount. As his account is checked weekly or monthly, there is no possibility of his being required to account for transactions that occurred in the distant past.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	MALYALA JAGADEESH
Course/Group	I B.Com
Paper	**FUNDAMENTALS OF ACCOUNTING**
Name of the Topic	Trial Balance and Rectification of Errors
Hours Required	8 Hours
Learning Objectives	➢ *Meaning and importance of Trial balance* ➢ *Methods of preparation of Trial balance* ➢ *Disagreement of Trial Balance and Suspense Account* ➢ *Meaning of Error ,Types of Errors* ➢ *Difference between Error and Fraud* ➢ *Rectification of Errors*
Previous Knowledge to be reminded	*Yes*
Topic Synopsis	➢ *Definition of Trial balance* ➢ *Advantages Disadvantages of Trial balance* ➢ *Limitations of Trial balance* ➢ *Procedure for preparation of Trial balance* ➢ *Methods of preparation of Trial balance – Total method, Balance method* ➢ *Suspense Account* ➢ *Rectification of Errors*
Examples / Illustrations	*Examples of Top 10 Entrepreneurs in India*
Additional inputs	*Internet citation for identify the most powerful entrepreneurs in the world*
Teaching Aids used	*Black Board, PPTs*
References cited	*P.C.Tulician*
Student Activity Planned after the teaching	*Preparation of List of entrepreneur in various fields*
Activity planned outside the Class room ,if any	*Student Assignments*

Trial Balance

A Trial Balance is a statement that shows the total debit and total credit balances of accounts. The total of debit amounts shall be equal to the credit amounts. **It verifies the arithmetical accuracy of the postings in the ledger accounts.**

Preparing the trial balance is the third step of the accounting process. After journalizing and posting all entries in the ledgers, the bookkeepers prepare the trial balance. A fully balanced trial balance will assure the arithmetic accuracy of the accounts. Also, a balanced trial balance will provide reasonable assurance that the books of accounts are free of any clerical errors.

Objectives of Trial Balance

i. It ensures that the posting from the ledgers is done correctly. If there are any arithmetic errors in the accounting then this will get reflected in the trial balance. And we can determine this when the total of the debit column and the credit column do not match.

ii. Similarly, it will also detect clerical errors, like a fault in posting, mixing up of figures, etc.

iii. Trial balance will also help in the preparation of the final accounts. The balances for the financial statements are taken from the trial balance.

iv. And the trial balance will also serve as a useful summary of all accounting records. It is a summary of all the ledger accounts of a firm. We will only refer to the individual ledger accounts if any details are needed. Otherwise, we rely on the trial balance.

Limitations of Trial Balance

As we saw the trial balance is an important account for bookkeepers. But there are some limitations of a trial balance as well. One main limitation is that it does not point out all types of errors. This means that even if we have a fully balanced trial balance it will not assure 100% accuracy of the accounts. There are many types of errors a trial balance does not draw attention too. Some such errors are

- A transaction that is completely missing, was not even journalized
- When the wrong amount was written in both the accounts
- If a posting was done in the wrong account but in the right amount
- An entry that was never posted in the ledger altogether
- Double posting of entry by mistake

Preparation of Trial Balance

1.Totals Method

In this totals method, we ascertain the total of each side in the ledger i.e. debit and credit, separately and show them in the respective columns in the Trial Balance. Here also the total of the column with debit totals should tally with the total of the column of the credit totals. The dual aspect concept holds true in this case also. However, totals method is not in use widely as it does not determines the accurate balances of the accounts and thus, also does not help in the preparation of the Financial statements or final accounts.

2.Balances Method

In this method, we total the debit side and the credit side of the accounts and balance them. We then write these debit or credit balances of the ledger accounts in the respective debit and credit columns in the Trial Balance. A trial balance tallies when the total of the debit column is equal to the total of the credit column.This method is the most commonly used method as it shows the net effect and also helps in the preparation of the financial statements.

Trial Balance of Name of the Trader as at date of the Trial Balance

Sl. No.	Head of Account or Particulars	Logic	Debit Balance ₹	Credit Balance ₹
1.	Furniture and Fixture Account	Asset	----	
2.	Plant and Machinery Account	Asset	----	
3.	Discount Allowed Account	Expense	----	
4.	Discount Received Account	Income		----
5.	Salary Account	Expense	----	
6.	Wages Account	Expense	----	
7.	Commission Allowed Account	Expense	----	
8.	Commission Received Account	Income		----
9.	Capital Account	Liability		----
10.	Drawings Account	Asset	----	
11.	Bank Account	Asset	----	
12.	Bank Overdraft Account	Liability		----
13.	Cash in Hand Account	Asset	----	
14.	Creditors Account	Liability		----
15.	Sundry Debtors Account	Asset	----	
16.	Carriage Outwards Account	Expense	----	

What is a Suspense Account

Suspense account is an account of general ledger that is used for temporary recording of business transactions.The need for a suspense account arises due to the inability to identify the appropriate ledger account for the recorded transaction.

The amounts or transactions that are moved to the suspense account are for very short duration as there is a need for proper investigation to determine the correct ledger account to which the recorded amount should be moved or posted.

Importance of Suspense Account

Suspense account is important in accounting as it helps filter out transactions that cannot be identified at the time of its recording. Such an account helps in keeping the record books clean and free from any errors.

It acts as a temporary location for storing unidentified transactions and once the amount is properly identified, it can be moved to the appropriate ledger account.

When to create Suspense Accounts

Suspense accounts need to be created in the following situations

1. During trial balance preparation: Suspense account is useful when trial balance is being prepared and the debit and credit balance do not match. The difference amount can be transferred to a suspense account.

For credit balances larger than debit balances, the difference is recorded as a debit, and for debit balances that are larger than credit balances, the difference is recorded as a credit.

2. On receiving of partial payment: Sometimes it may happen that a client makes a partial payment and they are not sure for which invoice the payment was made, which leads to confusion about the payment. Such payments can be moved to the suspense account till the client is contacted and the invoice is identified.

3. Not sure who made the payment: It can happen that a payment is received but the business is not able to identify the customer from whom it is received. The best solution is to move the amount to the suspense account and check unpaid invoices from the record books and match the payment amount. Further clarity can be achieved by contacting the customer and verifying the payment details.

Benefit of Suspense Accounts

Following are some of the benefits of the suspense accounts in accounting.

1. It allows a temporary space for recording unambiguous transactions.

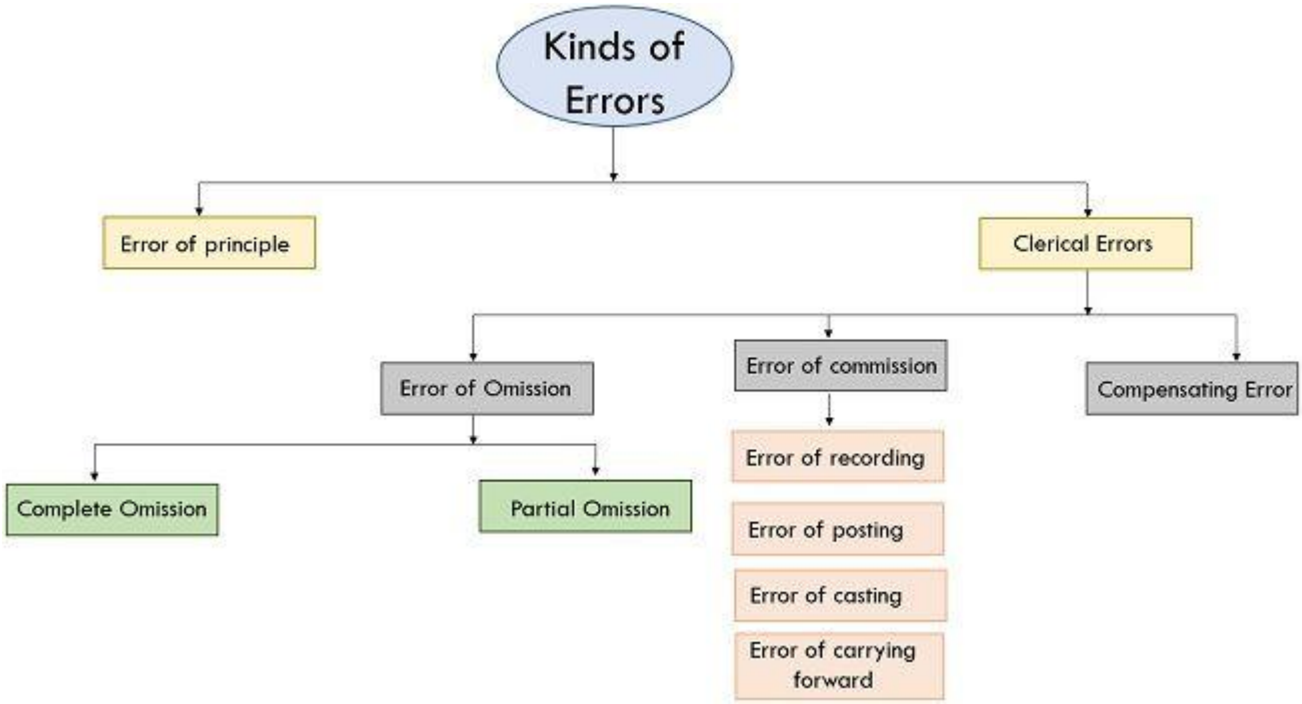
2. It helps keep the accounts books organised by separating the unidentified transactions.

Rectification of Errors

Definition: Rectification of errors is a **procedure of revising mistakes in the entries.** These errors can be of two types, i.e, the errors committed on both sides in an entry that does not influence the trial balance and can be rectified by making a journal entry.

And another one is the errors that occur on one side of the trial balance and disturbs the trial balance are known as single-sided errors, which cannot be corrected by only passing journal entry, however, gets corrected by opening a suspense account. For understanding the rectification of errors, it is a must to understand the kinds of errors first. The kinds of errors can be understood below precisely.

Kinds of Errors:



1. Error of principle

Transactions are reported by means of Generally accepted accounting principle (GAAP). In case, principles are opposed or neglected, errors of principle arise in such transactions, which will not alter the trial balance.

2. Clerical Errors

These errors arise because of mistakes made by attentive accounting clerks, which can be more classified into subsequent categories:

- ❖ **Error of Omission**

When an entry is overlooked in the books of accounts, this kind of error occurs. This may be more clearly defined as:

- **Error of complete omission:** When an entry of amount is completely overlooked for reporting in the books of accounts, this class of error arises.
    - **Example:** Credit sale of ₹ 15000 to Ankit. If this transaction is neglected completely, such an error is known as an error of complete omission. This will not disturb the trial balance.

- **Error of partial omission:** When only one facet of the transaction is reported, this class of error arises. In the above, given example, one facet credit sales are reported duly in sales a/c, but the facet, Ankit's account is neglected while reporting, thus the error of partial omission derives. This will influence the trial balance.

- ❖ **Error of Commission:** This kind of error appears due to diversified factors like incorrect recording, incorrect posting, incorrect balancing, etc. This may be classified further as follows:

- **Error of recording:** This error occurs when an entry is wrongly reported in the books of the original entry.
    - **Example:** Purchase of goods in credit from Nidhi for ₹ 14,500 reported in the books at 15,400.
- **Error of posting:** This error arises when facts reported in the books of original entry is recorded inappropriately in the ledger. This error may occur because of:
    - Reporting the correct amount in the incorrect side of an appropriate account.
    - Reporting the correct amount in the correct side of an inappropriate account.
    - Recording the incorrect amount in the correct side of an appropriate account.
    - Recording the incorrect amount in the incorrect side of an appropriate account.
    - Recording the incorrect amount in the correct side of an inappropriate account.
    - Reporting incorrect amount in the incorrect side of an inappropriate account.
- **Error of casting:** When an error is committed during the time of recording in a subsidiary book, this error occurs.
    - **Example:** If the total sum of ₹ 15,000 in a subsidiary book is incorrectly added up and posted as ₹ 18,000. This is an over-casting error. If it is inappropriately added up as ₹ 11,000, it is an under-casting error.

- **Error of carrying forward:** When a sum of one page is recorded inappropriately on the adjacent page, the error of carrying forward arises.
    - **Example:** Sum of cash book on page 114 of the ledger is ₹ 2,04,000. At the time of transmitting to the adjacent page 115, if it is reported as ₹ 2,40,000, this causes the relevant error.

3. Compensating Error

While two or more mistakes are committed, just like that the net outcome of these mistakes on the debits and credits of accounts is zero, these errors occur, which are termed as "compensatory errors".

- **Example:** If the purchase book is over-casted by ₹8,000 which outcomes in a surplus debit of ₹ 8,000 because of which shortfall of debit in sales return account arise. These kinds of mistakes compensate one another. One surplus of ₹ 8,000 is compensated by another deficit of ₹ 8,000. The net result is zero. Therefore, these kinds of errors do not influence the trial balance.

Errors that do not influence Trial Balance:

By making corrected journal entry in the concerned accounts, these errors can be rectified, as these are the errors committed in two more accounts. The errors belonging to this category are:

1. Errors of complete omission
2. Errors of Principle

The process of rectifying such errors consist of the following steps:

1. Reverse the entry for cancelling the effect of wrong debit or credit.
2. Make a new entry with correct debit or credit.

The example of rectification of complete omission error by passing journal entry is shown below:

Credit sales to Anita ₹ 2,05,000 were not recorded in the sales book. Rectify the error.

This type of error is known as the error of complete omission, the entry we have to make for rectifying such error will be:

Anita's A/c	Dr.	2,05,000	-
To Sales A/c		-	2,05,000
(Credit Sales to Anita now recorded)			

The example of rectification of error of principle by passing journal entry is shown below:

- Illustration 2

Repairs to the building -1800, debited to building a/c treated as capital expenditure. Rectify the error.

- Solution

Repairs to building A/c	Dr.	1,800	-
To Building A/c		-	1,800
(Expense being transferred to building repairs account)			

Rectification of Errors which Influences the Trial Balance

These kinds of errors do not get corrected by passing a single general entry, in addition with that the suspense account needs to be opened which is created to fill up the gap arrangement till error detected and rectified. When we use a suspense account, the following process is adopted to rectify errors.

1. Identify the affected account due to error.
2. Find the excess or shortage amount troubling the account.
3. If the difference is derived because of "excess debit amount" or "short credit amount", credit the account with the difference amount.
4. If the difference is derived because of "excess credit amount" or "short debit amount", debit the account with the difference amount.
5. The entry gets completed by debiting or crediting the suspense account.

Conclusion

Rectification of errors is the method of correcting errors made in entries on either one side or on both sides of the transaction, which can be identified by making a trial balance after passing all the journal entries.

TEACHING PLAN

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	MALYALA JAGADEESH
Course/Group	I B.Com
Paper	Fundamentals of Accounting
Name of the Topic	Final Accounts
Hours Required	8 Hours
Learning Objectives	➢ Meaning and definition of final accounts ➢ Trading account, profit&Loss account,Balancesheet ➢ Final accounts with adjustments
Previous Knowledge to be reminded	
Topic Synopsis	➢ Meaning and importance of Final Accounts ➢ Manufacturing Account ➢ *Trading Account* ➢ Profit and Loss Accoubt ➢ Balance Sheet ➢ Meaning and importance of Adjustments ➢ Different types of Adjustments ➢ Problems
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board, PPT, Tally ERP.9.0
References cited	PC Tulasian ,SP Jain KL Narang
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*

Final Accounts Meaning:

Final Accounts are the accounts, which are prepared at the end of a fiscal year. It gives a precise idea of the financial position of the business/organization to the owners, management, or other interested parties. Financial statements are primarily recorded in a journal; then transferred to a ledger; and thereafter, the final account is prepared (as shown in the illustration).

Usually, a final account includes the following components

- Trading Account
- Manufacturing Account
- Profit and Loss Account
- Balance Sheet

Trading Account

Trading accounts represents the Gross Profit/Gross Loss of the concern out of sale and purchase for the particular accounting period. Trading account is a statement which is prepared by a business firm. It shows the gross profit of business activities during a specific period. It is a part of the final accounts of the entity. In other words, the trading account gives details of total sales, total purchases and direct expenses relating to purchase and sales. Trading account format for the year contains Particulars, Amount, Dr., Cr., Purchases, Sales, etc. In this article, we will see the advantages of a Trading account and Trading account format.

Study of Trading Account:

- **Opening Stock** − Unsold closing stock of the last financial year is appeared in debit side of the Trading Account as "To Opening Stock" of the current financial year.
- **Purchases** − Total purchases (net of purchase return) including cash purchase and credit purchase of traded goods during the current financial year appeared as "To Purchases" in the debit side of Trading Account.
- **Direct Expenses** − Expenses incurred to bring traded goods at business premises/warehouse called direct expenses. Freight charges, cartage or carriage charges, custom and import duty in case of import, gas, electricity fuel, water, packing material, wages, and any other expenses incurred in this regards comes under the debit side of Trading Account and appeared as "To Particular Name of the Expenses".
- **Sales Account** − Total Sale of the traded goods including cash and credit sales will appear at outer column of the credit side of Trading Account as "By Sales." Sales should be on net releasable value excluding Central Sales Tax, Vat, Custom, and Excise Duty.
- **Closing Stock** − Total Value of unsold stock of the current financial year is called as closing stock and will appear at the credit side of Trading Account.

  closing Stock = Opening Stock + Net Purchases - Net Sale

- **Gross Profit** − Gross profit is the difference of revenue and the cost of providing services or making products. However, it is calculated before deducting payroll, taxation, overhead, and other interest payments. Gross Margin is used in the US English and carries same meaning as the Gross Profit.

  Gross Profit = Sales - Cost of Goods Sold

- **Operating Profit** − Operating profit is the difference of revenue and the costs generated by ordinary operations. However, it is calculated before deducting taxes, interest payments, investment gains/losses, and many other non-recurring items.

  Operating Profit = Gross Profit - Total Operating Expenses

- **Net Profit** − Net profit is the difference of total revenue and the total expenses of the company. It is also known as net income or net earnings.

  Net Profit = Operating Profit - (Taxes + Interest)

Trading Account

(For the year ended…)

Dr. Cr.

Particulars		Amount	Particulars		Amount
To Opening stock		Xxx	By Sales	xxx	
To Purchases	xxx		Less: Return Inwards	(xxx)	Xxx
Less: Return Outwards	(xxx)	Xxx	By Closing stock		Xxx
To Wages		Xxx	By Gross Loss		Xxx
To Carriage Inwards		Xxx			
To Freight Inwards/cartage		Xxx			
To Gross Profit c/d		Xxx			
		xxx			xxx

Manufacturing Account

Manufacturing account prepared in a case where goods are manufactured by the firm itself. Manufacturing accounts represent cost of production. Cost of production then transferred to Trading account where other traded goods also treated in a same manner as Trading account.

Important Point Related to Manufacturing Account

Apart from the points discussed under the section of Trading account, there are a few additional important points that need to be discuss here −

- **Raw Material** − Raw material is used to produce products and there may be opening stock, purchases, and closing stock of Raw material. Raw material is the main and basic material to produce items.
- **Work-in-Progress** − Work-in-progress means the products, which are still partially finished, but they are important parts of the opening and closing stock. To know the correct value of the cost of production, it is necessary to calculate the correct cost of it.
- **Finished Product** − Finished product is the final product, which is manufactured by the concerned business and transferred to trading account for sale.
- **Raw Material Consumed (RMC)** − It is calculated as.

  RMC = Opening Stock of Raw Material + Purchases - Closing Stock
- **Cost of Production** − Cost of production is the balancing figure of Manufacturing account as per the format given below.

Manufacturing Account

(For the year ending……….)

Particulars	Amount	Particulars	Amount
To Opening Stock of Work-in-Progress	XX	By Closing Stock of Work-in-Progress	XX
To Raw Material Consumed	XX	By Scrap Sale	XX
To Wages	XXX	By Cost of Production	XXX
To Factory overhead xx		(Balancing figure)	
Power or fuel xx			
Dep. Of Plant xx			
Rent- Factory xx			
Other Factory Exp xx	xxx		
Total	**XXXX**	**Total**	**XXXX**

Profit and Loss Account:

The Profit and Loss Account is prepared for ascertaining whether the business earned profit or incurred loss during a particular period of time called accounting period. All nominal accounts are entered into Profit and Loss Account. As a rule, all expenses and losses are shown on the debit side and all incomes and gains are shown on the credit side of the Profit and Loss Account.

Debit side of profit and loss account is a summary of all the indirect expenses as incurred by the firm during that particular accounting year. For example, Administrative Expenses, Personal Expenses, Financial Expenses, Selling, and Distribution Expenses, Depreciation, Bad Debts, Interest, Discount, etc. Balancing figure of profit and loss accounts represents the true and net profit as earned at the end of the accounting period and transferred to the Balance Sheet.

Then, the totals of debit side and credit side are compared for ascertaining profit or loss of the business during the accounting period. If the total of credit side exceeds the total of debit side, the excess will be profit earned during the period.

Profit & Loss Account

Dr. (For the year ended…) *Cr.*

Particulars	Amount	Particulars	Amount
To Gross loss b/d	Xxx	By Gross Profit b/d	Xxx
To Salaries	Xxx	By Discount Received	Xxx
To Office rent, rates and taxes	Xxx	By Commission Received	Xxx
To Printing & stationery	Xxx	By Bank Interest	Xxx
To Telephone expenses	Xxx	By Rent received	Xxx
To Postage & telegram	Xxx	By Dividend on shares	Xxx
To Discount Allowed	Xxx	By Interest earned on debentures	Xxx
To Insurance	Xxx	By Profit on sale of asset	Xxx
To Audit Fees	Xxx	By Net loss	Xxx
To Electricity charges	Xxx		
To Repairs & renewals	Xxx		
To Depreciation	Xxx		
To Advertisement	Xxx		
To Carriage Outwards	Xxx		
To Bad Debts	Xxx		
To Provision for Bad debts	Xxx		
To Selling commission	Xxx		
To Bank Charges	Xxx		
To Interest on loans	Xxx		
To Loss on sale of asset	Xxx		
To Net Profit	Xxx		
	xxx		xxx

Balance Sheet:

The Balance Sheet is a statement that shows the financial position of the business. It records the assets and liabilities of the business at the end of the accounting period after the preparation of trading and profit and loss accounts

A balance sheet reflects the financial position of a business for the specific period of time. The balance sheet is prepared by tabulating the assets (fixed assets + current assets) and the liabilities (long term liability + current liability) on a specific date.

An entity's balance sheet provides a lot of information which can be used to analyse the financial stability and business performance. The balance sheet is a report version of the accounting equation that is balance sheet equation where the total of assets always is equal to the total of liabilities plus shareholder's capital.

Assets = Liability + Capital

Investors and creditors generally look at the balance sheet and infer as to how efficiently an entity can use its resources and assess the value of their investments.

The three important sections of any balance sheet are:

Assets – This is a resource owned by an entity to produce positive economic value.

Liabilities – This provides a list of debts an entity owes to others.

Capital or Equity- This is the amount invested by the shareholders

Assets:

Assets are the economic resources for the businesses. It can be categorized as −

- **Fixed Assets** − Fixed assets are the purchased/constructed assets, used to earn profit not only in current year, but also in next coming years. However, it also depends upon the life and utility of the assets. Fixed assets may be tangible or intangible. Plant & machinery, land & building, furniture, and fixture are the examples of a few Fixed Assets.

- **Current Assets** − The assets, which are easily available to discharge current liabilities of the firm called as Current Assets. Cash at bank, stock, and sundry debtors are the examples of current assets.

- **Fictitious Assets** − Accumulated losses and expenses, which are not actually any virtual assets called as Fictitious Assets. Discount on issue of shares, Profit & Loss account, and capitalized expenditure for time being are the main examples of fictitious assets.

- **Cash & Cash Equivalents** − Cash balance, cash at bank, and securities which are redeemable in next three months are called as Cash & Cash equivalents.

- **Wasting Assets** − The assets, which are reduce or exhausted in value because of their use are called as Wasting Assets. For example, mines, queries, etc.
- **Tangible Assets** − The assets, which can be touched, seen, and have volume such as cash, stock, building, etc. are called as Tangible Assets.
- **Intangible Assets** − The assets, which are valuable in nature, but cannot be seen, touched, and not have any volume such as patents, goodwill, and trademarks are the important examples of intangible assets.
- **Accounts Receivables** − The bills receivables and sundry debtors come under the category of Accounts Receivables.
- **Working Capital** − Difference between the Current Assets and the Current Liabilities are called as Working Capital.

Liabilities:

A liability is the obligation of a business/firm/company arises because of the past transactions/events. Its settlement/repayments is expected to result in an outflow from the resources of respective firm.

There are two major types of Liability −

Current Liabilities − The liabilities which are expected to be liquidated by the end of current year are called as Current Liabilities. For example, taxes, accounts payable, wages, partial payments of long term loans, etc.

Long-term Liabilities − The liabilities which are expected to be liquidated in more than a year are called as Long-term Liabilities. For example, mortgages, long-term loan, long-term bonds, pension obligations, etc.

Grouping of Assets and Liabilities

There may be two types of Marshalling and grouping of the assets and liabilities −

- **In order of Liquidity** − In this case, assets and liabilities are arranged according to their liquidity.
- **In order of Permanence** − In this case, order of the arrangement of assets and liabilities are reversed as followed in order of liquidity.

Adjustments in Preparation of Financial Statements:

In order to prepare a true and fair financial statement, there are some very important adjustments those have to be done before finalization of the accounts.

It all starts mainly with the accrual concept of accounting, which says that all income earned during an accounting period should be recorded whether or not it has been received or not. Similarly, all expenses incurred during the period should be accounted for regardless of the actual payment. This is the primary reason for adjustments in final accounts.

Why are adjustments important in final accounts? If such adjustments in preparation of financial statements are missed then the numbers shown by the business in their final accounts will not be accurate and true. Journal entries are posted to reflect any necessary adjusting entries.

Sr.No.	Adjustments	Accounting Treatments
1	**Closing Stock** Unsold stock at the end of Financial year called Closing stock and valued at "***Cost or market value whichever is less***"	**First Treatment** Where an opening and closing stock adjusted through a purchase account and the value of Closing Stock given in Trial Balance − Closing stock will be shown as adjusted purchase account on the debit side of Trading account and will appear in the Balance Sheet under current Assets.
2	**Outstanding Expenses** Expenses which are due or not paid called as outstanding expenses.	**Accounting Treatment** Outstanding expenses will be added in Trading or Profit & Loss account in particular expense account and will appear in liabilities side of the Balance Sheet under the current liabilities.
3	**Prepaid Expenses** Expenses which are paid in advance are called as Prepaid Expenses.	**Accounting Treatment** Prepaid Expenses will be deducted from the particular expenses as appear in Trading & Profit & Loss account and will be shown in the Balance Sheet under the current assets.
4	**Accrued Income** The income, which is earned during the year, but not yet received at the end of the Financial Year is called as Accrued Income.	**Accounting Treatment** Accrued income will be added to a particular income under the Profit & Loss account and will be shown in the Balance Sheet as current assets.
5	**Income Received in Advance** An income received in advance, but not earned like advance rent etc.	**Accounting Treatment** An income to be reduced by the amount of advance income in profit & loss account and will appear as current liabilities in the Balance Sheet.
6	**Interest on Capital** Where an interest paid on the capital introduced by the proprietor or partner of the firm.	**Accounting Treatment** • Debit Side of Profit & Loss account • Add to capital account (Credit side of Capital account).
7	**Interest on Drawing**	**Accounting Treatment** • Credit Side of Profit & Loss account

	Where an interest paid on the capital introduced by the proprietor or partner of the firm.	• Reduced from capital account (Debit side of Drawing account).
8	**Provision for Doubtful Debts** If there is any doubt on the recovery from Sundry Debtors.	**Accounting Treatment** • Debit Side of Profit & Loss Account • In a Balance Sheet, provision for the Doubtful will be deducted from the Sundry Debtors' Account.
9	**Provision for Discount on Debtors** If there is any offer of discount to pay the debtors within certain period.	**Accounting Treatment** • Debit Side of Profit & Loss Account • In a Balance Sheet, provision for the Discount on Debtors will be deducted from the Sundry Debtors Account.
10	**Bad Debts** Unrecovered debts or irrecoverable debts	**Accounting Treatment** • Debit Side of Profit & Loss Account • In a Balance Sheet, Sundry debtors will be shown after deducting the Bad Debts.
11	**Reserve for Discount on Creditors** If there is any chance to get discount on the payment of sundry creditors within certain period.	**Accounting Treatment** • Credit Side of Profit & Loss Account • In a Balance Sheet, Sundry Creditors will be shown after deducting the Reserve for Discount.
12	**Loss of Stock by fire** There may be three conditions in this case	**Accounting Treatment** **1. If Stock is fully insured** • Credit Side of Trading Account • Assets side of Balance Sheet • (With full value of loss) **2. If Stock is partially insured** • Credit side of Trading Account

<table>
<tr><td></td><td></td><td>(With Total value of Loss)
Debit side of Profit & Loss a/c
(With value of loss unrecoverable)
Asset Side of Balance Sheet
(With value recoverable)
3. If Stock is not insured
Credit Side of Trading Account
Debit side of Profit & Loss Account</td></tr>
<tr><td>13</td><td>Reserve Fund</td><td>Accounting Treatment
Debit side of Profit & Loss Account
Liabilities side of Balance Sheet</td></tr>
<tr><td>14</td><td>Free Sample to Customers</td><td>Accounting Treatment
Credit side of Trading Account
Debit Side of Profit & Loss Account</td></tr>
<tr><td>15</td><td>Managerial Commission</td><td>Accounting Treatment
Debit side of Profit & Loss Account
Liabilities side of Balance Sheet as commission payable</td></tr>
<tr><td>16</td><td>Goods on Sale or Approval Basis
If there is any un-approved stock lying with the customers at the end of financial year.</td><td>Accounting Treatment
Sales AccountDr
To Debtors A/c
(With Sale Price)
Stock AccountDr
To Trading Account
(with cost price)</td></tr>
</table>

Balance Sheet of .... As at.............

Liabilities	Rs.	Assets	Rs.
		Fixed Assets:	
Capital:		Good will	
Opening Balance xxxx		Land	
Add: Net Profit xxxx		Building	
(Less: Net Loss)		Plant & Machinery	
Less: Drawings xxxx		Furniture & Fixtures	
Long-term Liabilities:		Investment:	
Loan		Current Assets:	
Current liabilities:		Closing stock	
Income received-in-advance		Accrued income	
Sundry Creditors		Prepaid expenses	
Outstanding Expenses		Sundry Debtors	
Bills Payable		Bills Receivable	
Bank Overdraft		Cash at Bank	
		Cash in Hand	

Teaching Plan

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	MALYALA JAGADEESH
Course/Group	II B.Com
Paper	Business Economics
Name of the Topic	Introduction to Business Economics
Hours Required	8
Learning Objectives	➢ Describe the nature of economics in dealing with the issues of scarcity of resources. ➢ Analyze supply and demand analysis and its impact on consumer behaviour. ➢ Evaluate the factors,such as production and costs affecting firmsbehaviour. ➢ Recognize market failure and the role of government in dealing with those failures. ➢ Use economic analysis to evaluate controversial issues and policies. ➢ Apply economic models for managerial problems, identify their relationships, and formulate the decision making tools to be applied for business.
Examples / Illustrations	Text Book Examples
Additional inputs	
Teaching Aids used	Green Board
References cited	Pc Tulsian
Student Activity Planned after the teaching	Student Seminar
Activity planned outside the Class room ,if any	Class Room Assignment

Signature Obtained in hard copy

Unit-I Introduction to Economics:

The Word Economics has Greek Origin. Oikos Plus Nomos Meaning House hold Management.

The word economics has something to do with economizing on the use of means to attain ends out of scarce resources.

Positive Economics: Deals with scientific issues and questions, Solves economics central problems without value judgment.

Normative Economics: Deals with ethical issues, questions and problems. Solves economic problems bringing in value judgment.

Micro Economics Analysis of any single unit of economics.

Macro Economics Analysis of all units of economics studied together.

- ➢ An economy exists because of two facts, i.e. Human wants are limited and resources are scarce.
- ➢ The basic problem of scarcity gives rise to many of the economic problems.
- ➢ The subject matter and scope of economics are given by various economists:
    - Wealth aspect by Adam Smith
    - Welfare aspect by Alfred Marshall
    - Scarcity and Choice aspect by Lionel Robinson
    - Development and Growth aspect by Paul Samuelson
- ➢ Nature of economics may be classified into as science or art or both and if it is a science whether it is a positive science or a normative science or both.
- ➢ Scope of economics has a varied arena as following:
- ➢ Micro Economics & Macro Economics
- ➢ The problem of scarcity of resources leads to three central problems of economy as following: – Which goods should be produced and in how much quantity?
- ❖ What technique should be adopted for production?
- ❖ For whom goods should be produced?
- ➢ The concept of the production possibility curve is used by economists to explain the economic problem of a society. A production possibility curve is the locus of all such combinations of two commodities which can be produced in a country with its given resources and technology.

There are three types of economic systems:

a. Capitalist Economy
b. Socialist Economy
c. Mixed Economy

- The economic problems of the system are solved differently under each economic system. Capitalist economy uses tool of price mechanism, whereas; socialist economy uses tool of central planning as against the mixed economy which employs a mix of both.
- The economy worldwide suffers from fluctuations in economic activities which are known as business cycles. A business cycle is composed of periods of rising prices and low unemployment percentages, shifting to periods falling prices and high unemployment percentages besides other leading characteristics.

Ends: The objectives pursued by human beings while engaged in economic activities.

Means :The instruments or resources used in attaining the perceived objectives.

Scarcity: The imbalance between ends and means.

Laissez Faire: Free market economics with a minimum of government intervention.

Production Possibility Curve: The locus of output combinations which an economy can produce using technically most efficient methods of production and allocating resources in an economically efficient manner.

- Demand means a desire or a wish to buy and consume a commodity or service provided consumer has adequate ability and is willing to buy.
- The consumer's decisions are guided by several elements, such as income, tastes and preferences etc and an assumption is established that these factors remain constant.
- Law of demand states that "the amount demanded increases with a fall in price and diminishes with a rise in price".
- Demand for a good by an individual or the market as a whole is conventionally expressed in three alternative forms, namely;
    a. a demand function
    b. a demand schedule
    c. a demand curve
- Utility of a good is its expected capacity to satisfy a human want. To a consumer, the utility of a good is the satisfaction which he expects from its consumption.
- Utility can be measured in two ways:
    a. Cardinal Approach
    b. Ordinal Approach
- When a consumer buys a good, the utility derived from it varies with its quantity, and generates three concepts; namely
    a) Total Utility(TU)
    b) Average Utility(AU)
    c) Marginal Utility(MU)
- Law of diminishing marginal utility states that "the additional benefit which a person derives from a given increase in his stock of a thing diminishes with every increase in the stock that he already has".
- The law of equi-marginal utility states that consumer distributes his expenditure between different goods in such a way that the marginal utility derived from the last rupee spent on each good is the same.

Demand for a good can change in two ways:

- A consumer moves from one point to another on the same demand curve (Movement along demand curve)

- When the entire demand curve shifts its position (Movement from one demand curve to the other)

There are two types of elasticities:

• Elasticity of Demand

• Elasticity of Supply

Elasticity Demand:

Factors affecting the elasticity of demand:

- Price level;
- Availability of substitutes;
- Time period;
- Proportion of total expenditure spent on the product;
- Habits;
- Nature of the commodities;
- Various uses and Postponing consumption.

Types of elasticity demand

a) Price elasticity of demand

b) Income elasticity of demand.

c) Cross price elasticity of demand

Five Types of Price elasticity of demand:

a) Perfectly elastic demand;

b) Perfectly inelastic demand;

c) Relatively elastic demand;

d) Relatively inelastic demand and

e) Unitary elastic demand

Methods of measuring price elasticity of demand:

a) Percentage method or Arithmetic;

b) Total expenditure method

c) Graphic method or Point method.

- Supply means the quantity of goods offered for sale at pre determined price at a certain point of time.
- Law of Supply states that a firm will produce and offer to sell greater quantity of a product or service as the price of that product or services rises, other things being equal.
- Other things include cost of production, change of technology, price of related goods (substitutes and complements), prices of inputs, level of competition and size of industry, government policy and non economic factors.
- Supply of a good by an individual producer/firm or the market/industry as a whole is conventionally expressed in three alternative forms, namely;
- a supply function
- a supply schedule
- a supply curve
- Supply for a good can change in two ways
- a producer moves from one point to another on the same supply curve (Movement along supply curve)
- when the entire supply curve shifts its position (Movement from one supply curve to the other)

Elasticity Supply: Five cases of elasticity of supply:

- Perfectly elastic supply;
- Perfectly inelastic supply;
- Relatively elastic supply;
- Relatively inelastic supply and Unitary elastic supply

Determinants of price elasticity of supply:

- Time period;
- Ability to store output;
- Factor mobility;

Cost relationships and Excess supply – The market price, or equilibrium price, is determined by the interaction of demand and supply at a given time with given conditions of demand and supply.

Elasticity refers to the ratio of the relative change in a dependent to the relative change in an independent variable.

– The consumer behaviour can be studied from two approaches;

• Marshallian Approach

• Indifference Curve Approach

- In the Marshallian approach, the consumer tries to maximize the utility that he derives keeping in view the money income he has in hand available to be spent on that good.
- In indifference curve approach, the preferences are ordered than to measure them in terms of money. This approach, is, therefore an ordinal concept based on ordering of preferences.

Ceteris Paribus : Ceteris paribus or caeteris paribus is a Latin phrase, literally translated as "with other things the same" or "all other things being equal or held constant".

Demand Curve: A demand curve is the curve showing the relationship between the quantities of a good which consumers would be willing to purchase at alternative prices.

Law of Demand: Other things being constant, the quantities demanded of a good and its own prices are inversely related.

Supply Curve: A supply curve is the curve showing relationship between the quantities supplied of a commodity by the producer at alternative prices.

Law of Supply: Other things being constant, the quantities supplied of a good and its own prices are positively related.

Theory of Demand and Supply Utility It is defined as a want satisfying power of a commodity. It is the sensation which an individual derives from consuming a commodity. It can be measured on numerical scale as well as ordinal.

Cardinal Utility: Cardinal utility is a view of utility measurement based on the presumption that the satisfaction of wants and needs is a quantifiable characteristic of human activity.

In other words, utility can be measured with numerical values (1, 2, 3, etc.) along a scale. If so, then the utility generated from consumption can be evaluated against an objective standard, which then makes it possible to compare utility among different goods and among different people.

Ordinal Utility Ordinal utility is a view of utility measurement based on the presumption that the satisfaction of wants and needs is not a quantifiable characteristic of human activity and that preferences are subjective. Preferences among goods can be ranked (first, second, third, etc.) but not measured according to a scale. In this regard, consumers need only specify whether one good is more or less preferred than another. How much more or less a good is preferred is not important.

Marginal Utility Marginal utility is the extra satisfaction generated from consuming one more unit of a good.

Marginal Utility = Change in total utility

Change in quantity Law of Diminishing

The law of diminishing marginal utility means that the value of a good, the extra Marginal Utility utility derived from good declines as more of the good is consumed. If the satisfaction obtained from a good declines, then buyers are willing to pay a lower price, hence demand price is inversely related to quantity demanded, which is the law of demand.

Consumers' Equilibrium: Consumer equilibrium exists when a consumer selects or buys the combination of goods that maximizes utility. This is achieved by equating the marginal utility-price ratio for each good consumed or by equating the ratio of prices and the ratio of marginal utilities. In other words, buyers are willing to pay relatively higher prices for goods that generate relatively more marginal utility.

Indifference Curve: An indifference curve is a curve which represents all those combinations of goods which give same satisfaction to the consumer. Since all the combinations on an indifference curve give equal satisfaction to the consumer, the consumer is indifferent among them.

MRS The rate at which an individual must give up "good A" in order to obtain one more unit of "good B", while keeping their overall utility (satisfaction) constant. The marginal rate of substitution is calculated between two goods placed on an indifference curve, which displays a frontier of equal utility for each combination of "good A" and "good B".

Price Elasticity of Demand: The relative response of a change in quantity demanded to a change in price. More specifically the price elasticity of demand is the percentage change in quantity demanded due to a percentage change in price.

Cross Elasticity The relative response of a change in the demand for one good to a change in the price of another good. More specifically the cross elasticity of demand is percentage change in the demand for one good due to a percentage change in the price of another good.

Income Elasticity: The relative response of a change in demand to a change in income. More specifically the income elasticity of demand is the percentage change in demand due to a percentage change in buyers' income.

Price Elasticity of Supply: The relative response of a change in quantity supplied to a change in price. More specifically the price elasticity of supply is the percentage change in quantity supplied due to a percentage change in price.

Normal Goods: A normal good is a good that reacts positively to changes in buyers' income. If buyers have more income, then they purchase more of a normal good. If they have less income, then they reduce purchases of a normal good.

Inferior Goods: An inferior good is one that reacts negatively to changes in buyers' income. If buyers have more income, then they purchase less of an inferior good. If they have less income, then they increase purchases of an inferior good.

Giffen Goods: A consumer good for which demand rises when the price increases, and demand falls when the price decreases. Such goods are exceptions to the law of demand.

Superior Goods: Goods for which income elasticity of demand is greater than unity. For such goods the proportion of money spent on the goods tends to increase as the income increases.

Unit-III Theory of Production and cost

- Production is an important economic activity. Satisfaction of human wants is the objective of production using factors of production namely; Land, Labour, Capital and Entrepreneurship.
- Theory of production basically determines, how the producer, given the state of technology combines various inputs economically to produce a definite amount of output in an efficient manner
- The functional relationship between input and output is known as Production Function.
- The law of variable proportion shows the production function with one input factor variable while keeping the other input factors constant. It is a short run concept. The law of variable proportion is the modern approach to the 'Law of Diminishing Returns (or The Laws of Returns).
- Law of Returns to Scale is a long run concept. In the long run, all factors of production become variable as the firm is able to alter its stock of inputs. When all factors are changed in some proportion, the behaviour of output is analyzed with the help of laws of returns to scale. A return to scale is the rate at which the output increases with the increase in all inputs proportionately.
- Costs are nothing but input prices. The relationship between cost and output is called cost function.

There are two types of cost functions:

Short Run Costs

Long Run Costs

- In short run, since some of the factors of production are fixed and other may vary; similarly, there are two categories of costs in short run: Fixed cost and Variable cost.
- The term long run is defined as that length of time over which the firm gets an opportunity to vary if need be the quantities of all its inputs. In other words, there are no fixed factors in the long run and therefore there are no fixed costs.
- Revenue or receipts of a firm are derived from the sale of its output. There are three concepts of revenue theory namely;
  - Total Revenue
  - Average Revenue

- Marginal Revenue

Producer's equilibrium refers to the level of output of a commodity that gives the maximum profit to the producer of that commodity.

There are two approaches to arrive at producer's equilibrium.

TR-TC Approach

MR-MC Approach

- ❖ There are economies of scale to production process which is saving in cost of production with an increase in the scale of output or the size of the plant.
- ❖ The term diseconomies refer to an increase in average cost of output when the plant size is increased.
- ❖ The sources of economies and diseconomies are obviously the causes on account of which they come into existence.

Production: The activity which adapts natural resources to make goods and services.

Land All free gifts of nature and natural resources are includes in land as factor of production.
Labour All human resource whether involved physically or in mental capacities.

Capital All man made; non labour and non natural resources are considered as capital in production process. this is the part of the resources that are not consumed currently and are set aside for investment.

Short Run The period in which firm is unable to alter its factors of production. Thus, some of the inputs are fixed.

Long Run The period in which firm is able to alter its factors of production. Thus, all the inputs in long run are variable.

Total Fixed Costs The cost incurred on the fixed factors. That portion of total cost which is invariant with respect to variation in output levels.

Total Variable Costs The cost incurred on the variable factors, raw materials, etc. this cost varies as the level of output produced varies.

Average Fixed costs Total fixed cost divided by output. Average Variable Costs Total variable cost divided by output.

Total Cost The sum total of total fixed and total variable costs.

Average Cost The sum total of average fixed and average variable costs.

Short Run Marginal Cost Addition to total cost divided by the addition to total output. This may also be given by the addition to total variable cost divided by the addition to total output.

Unit-IV Market Structure:

- The concept of a market is central to the understanding of the determination of price and quantity of output of a commodity under consideration.
- Market means the general field within which, the force determining the price of particular product operate.

The market consists of two components:

a) A Firm
b) An Industry

There are various kinds of markets prevailing in the economy.

Perfect Competition has following characteristics:

- Large Number of Sellers and Buyers
- Homogeneous Product
- Free Entry and Exit
- Firm is a price taker
- Full Knowledge of Market
- Economic Rationality
- No Transportation Cost
- The perfect competition firm is in equilibrium when MC= MR and MC cuts the Mr curve from below.

Monopoly:

- Monopoly means a single seller and large number of buyers
- No close substitute
- A single firm industry
- Monopolist is free to fix a price of his choice.
- Firm is price maker.
- Irrespective of the profit income of the existing producer firm, new firms cannot enter the industry
- A buyer will buy it only if its price does not exceed its marginal utility to him

- The equilibrium for monopolist is at a point where MR= MC.
- One of the important features of the monopolist is price discrimination, where he charges different prices for homogeneous product to different consumers.

Monopolistic Competition:

- Monopolistic Competition means large number of sellers and buyers
- Close substitutes
- All firms are monopolists of their differentiated product
- The main feature is product differentiation and selling expenses comprising of marketing costs.

Profit Maximizing Conditions: The necessary condition is marginal revenue equals to marginal cost. The sufficient condition is marginal cost curve is intersecting the marginal revenue curve from below.

Economic Profits: Difference between total revenue and total cost incurred on inputs.

Normal Profits: When total revenue and total costs equals.

Normal Profits = Zero Economic Profits

Homogeneous: Two or more products that are identical in every possible respect.

Short Run A competitive firm attains short run equilibrium when MR= SMC with SMC rising. Equilibrium Long Run A competitive firm attains long run equilibrium when MR= LMC with LMC rising and Equilibrium P=AR=LAC.

Break Even When total sale proceeds covers total costs of production.

Condition Shut Down When price of the good falls below the average variable costs. If the price of the firm is Condition such that it is not even able to cover its variable costs, the firm should shut down.

Degree of Monopoly power is the degree of power held by the monopolist to set the price for a Monopoly good.

Price When the product is sold to different consumers at different prices.

Discrimination Product Slight differences that exist between two or more goods that are essentially the same Differentiation and which satisfy the same basic want or need. This is generally pursued in monopolistic competition.

Selling Costs: All expenditures pertaining to selling activities after the product has been produced. An important component is advertising and other sales promotion expenditures including giving free gifts and other promotional activities.

Unit-V National Income

National income is the total income earned by a country's residents or citizens, including both individuals and businesses, in a given period of time, typically a year. It refers to the total value of goods and services produced by a country's economy in a given period, usually one year.

Concepts used to measure national income, including:

Gross Domestic Product (GDP): GDP is the most widely used measure of national income. It refers to the total value of all goods and services produced within a country's borders in a given period. It includes consumer spending, government spending, investment, and net exports.

Gross National Product (GNP): GNP is similar to GDP, but it includes the value of goods and services produced by a country's citizens, regardless of their location. It also includes income earned by a country's citizens from overseas investments.

Net National Product (NNP): NNP is equal to GNP minus depreciation. Depreciation refers to the wear and tear on capital goods like machinery and equipment.

National Income (NI): NI is equal to NNP minus indirect taxes (such as sales taxes) plus subsidies. Indirect taxes are taxes that are levied on goods and services rather than on individuals or companies.

Personal Income (PI): PI is the income received by individuals in a country. It includes wages, salaries, and other forms of income like interest and dividends.

Disposable Income (DI): DI is equal to PI minus personal income taxes. It is the income that individuals have available to spend or save after paying taxes.

Methods of measuring national income:

Output Method: This method measures national income by calculating the value of all goods and services produced within a country during a given period of time. It includes the Gross Domestic Product (GDP), which is the total value of all goods and services produced within a country's borders.

Income Method: This method measures national income by adding up all the income earned by households and firms in a country during a given period of time. This includes wages, salaries, profits, interest, and rent.

Expenditure Method: This method measures national income by adding up all the spending on goods and services by households, firms, and the government during a given period of time. This includes consumption, investment, government spending, and net exports (exports minus imports).

Value Added Method: This method measures national income by calculating the value added at each stage of production. It involves adding up the value of inputs used in production and subtracting them from the value of the final product.

Productivity Method: This method measures national income by dividing the total output by the total inputs used in production, such as labor, capital, and materials.

These methods are used to provide a comprehensive understanding of a country's economic performance and are often used by governments, policymakers, and economists to make decisions related to economic growth and development.

The components of national income:

Wages and salaries: This refers to the income earned by individuals from their employment. It includes regular wages, overtime pay, bonuses, and other forms of compensation.

Rent: This refers to the income earned by individuals or businesses from the use of property. It includes rent from residential properties, commercial properties, and land.

Interest: This refers to the income earned from lending money. It includes interest on savings accounts, bonds, and other types of investments.

Profits: This refers to the income earned by businesses from their operations. It includes revenue from sales, minus expenses such as salaries, rent, and materials.

Taxes: This refers to the income earned by the government from taxes on income, sales, property, and other sources.

Transfer payments: This refers to payments made by the government to individuals or businesses, such as social security benefits, unemployment insurance, and subsidies.

These components are used to calculate a country's gross domestic product (GDP), which is a measure of the total economic output of a country.

Problems in Measuring National Income:

Non-Monetary Transactions: The national income calculation is based on monetary transactions. However, there are several non-monetary transactions such as barter exchanges, household production, and volunteer work that are not included in the calculation.

Informal Sector: In many countries, a significant portion of economic activity takes place in the informal sector. This sector is not included in the calculation of national income as it is difficult to estimate the value of goods and services produced.

Transfer Payments: Transfer payments such as social security benefits and unemployment compensation are not included in the calculation of national income as they are not considered as production.

Quality of Goods and Services: The quality of goods and services produced is not reflected in the national income calculation. As a result, the calculation may not accurately reflect changes in the standard of living.

Time Periods: National income is calculated for a specific time period, usually a year. However, economic activity may not be evenly distributed throughout the year. For example, agricultural production may be concentrated in a particular season.

Inflation: National income is usually calculated at current market prices. Inflation can distort the value of goods and services produced, making it difficult to compare national income figures from different years.

Income Distribution: National income figures do not provide information about the distribution of income within a country. This can make it difficult to assess the well-being of different sections of the population.

TEACHING PLAN

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	MALYALA JAGADEESH
Course/Group	II B.Com
Paper	**Advanced Accounting**
Name of the Topic	Accounting for Non-Profit Organisations
Hours Required	8 Hours
Learning Objectives	➢ To understand the difference between Profit and Non Profit Organizations. ➢ To understand the terminology of nonprofit organizations ➢ To understand the different nonprofit organizations ➢ To understand the different accounts
Previous Knowledge to be reminded	Yes, Reminded
Topic Synopsis	➢ Nonprofit Organization- Definition ➢ Types of Nonprofit organizations ➢ Terminology of Nonprofit organizations ➢ Receipt and Payment account ➢ Income and Expenditure account ➢ Opening Balance Sheet ➢ Balance Sheet ➢ Capital Fund
Examples / Illustrations	Text Book Illustrations
Additional inputs	
Teaching Aids used	Black Board
References cited	PC.Tulsian,SP Jain KL Narang
Student Activity Planned after the teaching	Practice the Text Book Problems Solving the problems in classroom
Activity planned outside the Class room ,if any	Student Assignments
Any other activity	

Signature Obtained in hard copy

Accounting for Non-Profit Organizations

Not-for-Profit Organizations are organizations which are set up for the welfare of the society or for the promotion of art and culture in the society. These are usually set up as a charitable institution with the service motive. The trustees manage these organizations. The members of the organization elect the trustees. The Not-for-Profit Organizations raise funds from its members as well as from the general public for meeting their objectives.

The main motive of these organizations is to provide service. However, they may earn profits in the due course. Generally, these organizations do not manufacture, purchase or sell goods or provide services. Thus, they do not need to prepare Trading and Profit and Loss A/c. They credit the funds received to the Capital Fund or General Fund A/c.

Characteristics of Not-for-Profit Organizations

Service Motive: These organisations have a motive to provide service to its members or a specific group or to the general public. They provide services free of cost or at a bare minimum price as their aim is not to earn the profit. They do not discriminate among people on the basis of their caste, creed or colour. Examples of services provided by them are education, food, health care, recreation, sports facility, clothing, shelter, etc.

Members: These organizations are formed as charitable trusts or societies. The subscribers to these organizations are their members.

Management: The managing committee or the executive committee manages these organizations. The members elect the committee.

Source of Income: The major sources of income of not-for-profit organizations are subscriptions, donations, government grants, legacies, income from investments, etc.

Surplus: The surplus generated in the due course is distributed among its members.

Reputation: These organisations earn their reputation or goodwill on the basis of the good work done for the welfare of the public.

Users of accounting information: The users of the accounting information of these organisations are present and potential contributors as well as the statutory bodies.

Definition of Section 8 Company

The Companies Act defines a Section 8 company as one whose objectives is to promote fields of arts, commerce, science, research, education, sports, charity, social welfare, religion, environment protection, or other similar objectives. These companies also apply their profits towards the furtherance of their cause and do not pay any dividend to their members.

These companies were previously defined under Section 25 of Companies Act, 1956 with more or less the same provisions. The new Act has, however, prescribed more objectives that Section 8 companies can have.

Famous examples of Section 8 companies include Federation of Indian Chambers of Commerce and Industry (FICCI) and Confederation of Indian Industries (CII). The objective of these companies is facilitating the growth of trade and commerce and India.

Features of a Section 8 Company

A Section 8 company comprises of the following distinct features that most other kinds of companies do not have:

Charitable objectives: Section 8 companies do not aim to make profits. Their objectives are purely charitable in nature. They aim to further causes like science, culture, research, sports, religion, etc.

No minimum share capital: Section 8 companies, unlike all other companies, do not require a prescribed minimum paid-up share capital.

Limited liability: Members of these companies can only have limited liability. Their liabilities cannot be unlimited in any case.

Government license: Such companies can function only if they have the Central Government's license. The Government can revoke this license as well.

Privileges: Since these companies possess charitable objectives, the Companies Act has accorded several benefits and exemptions to them.

Firms as members: Apart from individuals and associations of persons, Section 8 also allows firms to be members of these companies.

Formation of Section 8 Company

A person or an association of persons can make an application to the Registrar of Companies using requisite forms to form a company with charitable objectives under Section 8 of Companies Act. The Central Government, if satisfied, can accept such an application upon any terms and conditions imposed under the license granted by it. Once accepted, the Registrar of Companies will register the company after the applicants pay all requisite fees.

It is important to note that such companies can only be limited companies. All privileges and obligations of limited companies apply in this case. Further, these companies also do not need to include the words "Limited" or "Private Limited" in their names, as all other companies have to.

Since the existence of such companies is based on the license granted to them, they cannot even alter their memorandum or articles of association without the Central Government's permission. They also cannot do anything that the license disallows.

Advantages/Privileges

People generally prefer to conduct charitable activities by forming Section 8 companies instead of regular NGOs and associations. This is because they have limited liability, so their personal assets will not be used in paying debts of the company. Here are some advantages that these companies enjoy:

Members have limited liability.

No minimum capital requirements.

They get several tax exemptions.

Stamp duties and high fees are not payable for registration.

They have perpetual existence and separate legal status.

Exemptions from carrying out several procedural compliances.

More credibility than compared to NGOs, societies, and trusts because they are recognized by the Central Government's license.

Disadvantages

Despite numerous merits, these companies also have the following drawbacks:

Members of the company cannot get any dividend.

Officers and directors do not get benefits and allowances.

Can only use the profits for furthering charitable aims and objectives.

Amendment of memorandum and articles requires Central Government's permission.

The license is revocable on several grounds.

Accounting for Non-Profit Organizations

As we know that the not-for-profit organizations do not trade in goods or provide services with a profit motive. But, they also require to keep proper records of incomes, expenses, assets, and liabilities. Their major source of income is donations, subscriptions, grants, etc. Therefore, most of their transactions are in cash or through the bank account.

They need to keep proper books firstly because they are accountable to the members and the contributors and secondly because the law requires them to maintain proper books so that the government can keep proper control over the grants. Also, proper accounting reduces the risk of fraud and embezzlement. In addition to the ledgers and cash book, they are also required to maintain a stock register. Also, in a Stock register, a complete record of all fixed assets and consumables is maintained.

In accounting for non-profit organizations, instead of maintaining a Capital A/c, these organizations maintain Capital Fund or General Fund A/c. They credit this account with the surplus, life membership fees, donations, legacies, etc.

The not-for-profit organizations also require to prepare the final accounts or the financial statements at the end of the accounting year as per the accounting principles. The final accounts of these organizations consist of:

Receipt and Payment Account

Receipt and payment account functions as a summary of cash payments and receipts of an organization during an accounting period. It provides a picture of the cash position of a Not-for-Profit organization. It does not differentiate between the receipts and payments, whether they are of capital or revenue in nature and records all cash and bank transactions of both capital and revenue nature.

Receipt and payment account does not include any non-cash transactions such as depreciation. The Receipt and payment account is prepared at the end of an accounting period.

Characteristics of Receipt and Payment Account

We record all the cash receipts during the whole year on its debit side. Whereas, we write all the cash payments for the whole year on its credit side.
We include both receipts and payments in cash whether they are of capital and revenue nature.
We record only cash transactions in receipt and payment account.
It generally shows a debit balance. In the case of overdraft balance, its net balance may be credit.
Its closing balance shows closing cash in hand and closing cash at the bank.
Non-cash items such as depreciation, outstanding expenses, accrued incomes are also shown in this account.

Method of Preparation

As we know, we prepare Receipts and payment account with all the cash receipts and cash payments for the whole year. We determine the net result of cash receipts and cash payments of a fixed time through this account.

The left-hand side of this account is known as "Receipts" and right-hand side of this account is known as "Payments". All cash receipts are recorded on the left-hand side, while all cash payments are recorded on the right-hand side and are arranged in a classified form.

We start with taking opening balances of cash in hand and cash at bank and enter them on the debit side. (if there is bank overdraft at the beginning, we enter the same on credit side).
Now, we enter the total amounts of all receipts on the debit side and total amount of all payments on credit side (whether capital or revenue) and whether they are of past, current and future periods.
We do not include the incomes or expenses that do not involve the inflow or outflow of cash.
Now, we will find the difference between the total of the debit side and the total of the credit side of the account, the amount so found will be the closing balance of cash or bank.

In case, if the credit side is more than the debit side, the amount will be debited as bank overdraft and we will close the account.

Format of Receipts and Payment Account

Dr. Receipts and Payments Account of ……… for the year ending …….. Cr.

Receipts	₹	₹	Payments	₹	₹
To Balance b/d			By Balance b/d		
Cash in hand	xxx		Bank overdraft		xxx
Cash at bank	xxx	xxx			
Revenue receipts:			**Revenue payments:**		
To Subscription		xxx	By Salaries		xxx
To Entrance fees		xxx	By Rent paid		xxx
To General donations		xxx	By Electricity charges		xxx
To Grant-in-aid		xxx	By Postage		xxx
To Sale of old newspapers		xxx	By Rent and taxes		xxx
To Interest on investment		xxx	By Insurance		xxx
To Dividend		xxx	By Advertisement		xxx
To Locker rent received		xxx	By Telephone charges		xxx
To Rent received		xxx	By Entertainment expenses		xxx
To Sundry receipts		xxx	By Audit fees		xxx
			By Repairs		xxx
Capital receipts:			By Upkeep of ground		xxx
To Life membership fees		xxx	By Conveyance charges		xxx
To Donation for			By Newspapers and		
specific purpose		xxx	periodicals		xxx
To Legacies		xxx	By Office expenses		xxx
To Endowment fund		xxx	By Gardening expenses		xxx
To Sale of fixed assets		xxx	By Sundry expenses		xxx
To Sale of investments		xxx			
To Receipt for specific			**Capital Payments:**		
purpose or fund		xxx	By Fixed assets		xxx
To Interest on specific			By Investments		xxx
fund investments		xxx	By Repayment of loan		xxx
To Balance c/d		xxx	By Balance c/d		
(Bank overdraft)			Cash in hand	xxx	
			Cash at bank	xxx	xxx
		xxx			xxx

Income and Expenditure Account

The income and expenditure account is prepared by the non-trading entities to determine surplus or deficit of income over expenditures for a particular time frame. The accumulated or accrual concept of accounting is rigidly pursued while preparing income and expenditure a/c of non-trading concerns. It is prepared as a portion of final accounts of non-trading entities and is equal to the profit and loss account outlined by for-profit business entities.

Features of Income and Expenditure Account

- Below mentioned are the characteristic features of Income and Expenditure Account :
- Income and expenditure account presented by non-trading entities are much like the profit and loss a/c presented by trading entities.
- It is prepared by stringently following the fundamentals of the double-entry system of bookkeeping or accounting.
- It is always prepared during the end of the period which normally comprises of 1 year.
- It decides the surplus or deficit of income over expends of the non-trading entities for the particular year.
- The surplus or deficit from the income and expenditure account is moved to the capital fund a/c.
- The Income and expenditure account of only revenue nature are incorporated in this account. Any income and expenditure of capital nature are not comprehended.
- It is prepared by accountants chosen by the enterprise’s management and is audited by an independent auditor.
- It does not begin with the opening balance, and it follows back the incomes received and expenditures incurred by the non-trading entities during the financial year.
- The accumulated or accrual concept of accounting is rigidly pursued when it is prepared.

Name of the club / Institution

Dr. **Income and Expenditure Account for the year ended ....** **Cr.**

Expenditure	₹	Income	₹
To Salaries	xxx	By Subscription	xxx
To Charities	xxx	By Donation received	xxx
To Rent	xxx	By Admission fee received	xxx
To Donation paid	xxx	By Grant received	xxx
To Stationery	xxx	By Rent received	xxx
To Loss on sale of asset	xxx	By Interest received	xxx
To Depreciation	xxx	By Profit on sale of asset	xxx
To Surplus*	xxx	By Deficit*	xxx
(Excess of income over expenditure)		(Excess of expenditure over income)	
	xxx		xxx

* Note: The balancing figure may be either surplus or deficit.

Balance Sheet

Preparation of balance in the case of non-trading or non-profit making concern and preparation of balance sheet in the case of a trading firm is same. It has all liabilities and assets as on the date of the preparation of the balance sheet by the organization. The excess of assets over the liabilities is termed as Capital Fund or the General Fund.

Preparation of Balance Sheet for Non-Profit Organization

In the case of non-profit organizations, the Capital Fund is accumulated along with capital Receipts and receipts that are capitalized by further increasing the surplus or decreased by the deficit, during the year. At the beginning of a non-trading concern, there will be no formal capital Fund and in such case, the Surplus, if any, earned during the year constitute the Capital Fund at the end of the year.

The balance sheet of a non-profit organization is prepared in the same manner as in the case of a business enterprise. The assets of the organization are recorded on the Right side and liabilities on the Left side. The Non-profit organizations do not use the term Capital. Instead, General Fund or Accumulated Fund appears on the Balance Sheet.

The NPO might also create a special fund, such as prize fund or match fund. The purpose of which is to meet the expenses related to the purpose for which it is created. The incomes on the amount which is invested from these funds accrue to the fund alone and not the income and expenditure account.

Accounting Treatment of General Fund and Preparation of Balance Sheet

Preparation of a balance sheet starts with the general fund. You have to add the respective surplus or deficit in the amount.

Further, add life membership fees or legacies at this stage.

Put all fixed assets on the asset side of the balance sheet.

Showcase the amounts paid in advance and amount due on the assets and liabilities side.

Post the closing balances of the assets and liabilities on the respective side of the balance sheet.

To calculate the amount of the fund, deduct the value of total liabilities from the value of assets.

NAME OF THE ORGANIZATION
BALANCE SHEET
-----Date-----

Liabilities		$	Assets		$
Capital fund	XXXX		Building	XXXX	
Add: Surplus	XXXX	XXXX	Less: Depreciation	XXXX	XXXX
Subscription received in advance		XXXX	Furniture	XXXX	
Outstanding wages		XXXX	Less: Depreciation	XXXX	XXXX
Outstanding salaries		XXXX			
			Sports equipment	XXXX	
			Less: Depreciation	XXXX	XXXX
			Subscription receivable		XXXX
			Prepaid rent		XXXX
			Cash		XXXX
Total liabilities		XXXX	Total assets		XXXX

TEACHING PLAN

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	MALYALA JAGADEESH
Course/Group	II B.Com
Paper	**Advanced Accounting**
Name of the Topic	Single Entry system
Hours Required	8 Hours
Learning Objectives	Features of Single Entry system Advantages and Disadvantages of Single entry system Difference between Single entry system and Double entry system Preparation of statement of Affairs Ascertainment of Profit
Previous Knowledge to be reminded	Yes, Reminded
Topic Synopsis	Features of Single Entry system Advantages and Disadvantages of Single entry system Difference between Single entry system and Double entry system Preparation of statement of Affairs Ascertainment of Profit
Examples / Illustrations	Text book illustrations
Additional inputs	Previously asked questions in various University exams
Teaching Aids used	Green Board
References cited	PC.Tulsian,SP Jain KL Narang
Student Activity Planned after the teaching	Preparation of charts
Activity planned outside the Class room ,if any	Student Assignments

Signature Obtained in hard copy

Single Entry system:

A single entry system of bookkeeping is where the transactions of the business affect only one account, i.e. only one account's value will decrease or increase based on the transaction amount. Under this system, a cash book is prepared that shows the payment and receipts of the cash transactions.

Under the single entry system of bookkeeping, the cash book and personal accounts of creditors and debtors are maintained, and no other ledger is maintained. Every transaction of the business is recorded in the cash book without applying the principles of the double-entry system of bookkeeping. The nominal accounts and real accounts are not recognised under this system.

Under this system, the records related to taxes paid, account payable, cash, receivables and few other accounts are maintained. Usually, small businesses prefer the single-entry bookkeeping system as it is easy to maintain and has minimum requirements.

Features of Single Entry System of Bookkeeping

The following are the features of the single entry system:

Original Vouchers

The original vouchers play an essential role under this system. They help gather information such as amount, date of transaction, discount (if any), parties, etc.

Cash Book

Under the single entry system of bookkeeping, the cash book is maintained for recording the cash receipts and payments of the business during a given period. Only one cash book is maintained in which both the private and business transactions are included.

Personal Account

The single entry system maintains the personal accounts of all the creditors and debtors to determine the amount of credit purchases and sales during a given period. The personal accounts are recorded, whereas the real and nominal accounts are ignored under this system.

No Fixed Rules

The single entry system of bookkeeping has no fixed set of rules or principles for determining the profit and preparing the different financial statements. Thus, it is easy to maintain. However, there may be variations in its application from one business to another since there are no fixed rules.

Estimation of Profit or Loss

The profit or loss of the business is estimated out of the information available at hand. Thus, the exact profits or losses are not ascertained. The profit or loss are estimates. Thus, the financial position as a whole of the business cannot be ascertained.

Final Accounts

It is tough to prepare the final accounts in the single entry system of bookkeeping as the real and nominal accounts information are not available. The figures of liabilities and assets are calculated from the information at hand, but they are estimates. Hence, the Statement of Affairs is prepared instead of the Balance Sheet.

Advantages of Single Entry System of Bookkeeping

The single entry system of bookkeeping is a very simple and economical method of bookkeeping. The advantages of this system are as follows:

Simple and Easy

The single entry system of bookkeeping is easy to maintain and simple to understand. It does not have a fixed set of principles and rules to follow while recording financial transactions. Since this system is simple, anyone can maintain it as it does not require adequate accounting knowledge.

Economical

The single entry system of bookkeeping is an economic system of recording and maintaining financial transactions. Skilled accounting personnel or professionals are not required to be hired for recording financial transactions of the business. It also does not require a large number of books to record as there are a limited number of financial transactions.

Easy to Calculate Profit

The amount of profit can be calculated easily under the single entry system of bookkeeping. As it is based on the income statement, it is easy to find out the profit and loss of the business at any given time.

Disadvantages of Single Entry System of Bookkeeping

Although the single entry system is simple and economical, it has several drawbacks also. The disadvantages of the single entry system are as follows:

Unscientific and Unsystematic

The single entry system is an unscientific and unsystematic system of recording and maintaining financial transactions as it does not follow any fixed principles or rules for recording financial transactions.

Incomplete System

The single entry system is considered an incomplete bookkeeping system because it does not record two aspects of the financial transactions of a business. It maintains only a cash account and does not maintain transactions relating to the real and nominal account. Since it records only one aspect of all financial transactions, it fails to present the complete information required by the management of the business.

Lack of Arithmetical Accuracy

Since the single entry system is not based on the principles of Debit and Credit, it fails to give arithmetical accuracy of the books of accounts. Under this system, a trial balance cannot be prepared to check the arithmetical accuracy of the books of accounts. As there is no arithmetical accuracy, the possibility of committing manipulation, error or fraud is higher than the double-entry system of bookkeeping.

Does Not Reflect True Financial Position

The accurate sum of profit or loss cannot be ascertained under the single-entry bookkeeping system as it does not maintain nominal accounts. This system also does not maintain and record real accounts except cash books. Therefore, it cannot reflect the proper financial position of a business.

The balance sheet cannot be prepared because the real accounts are not maintained. Thus, the correct financial position of the business cannot be ascertained at the end of the accounting period.

Unacceptable For Tax Purpose

The single entry system has incomplete and inaccurate records of the financial transactions of a business. Hence, the tax authorities do not accept the accounts maintained and recorded under this system for the purpose of tax assessment.

Difference between Single Entry and Double Entry System

Single Entry System	Double Entry System
A single Entry System is a bookkeeping system in which only one part of a transaction is recorded, such as debit or credit.	A double entry system is a method of recording transactions in which both sides of a transaction are recorded.
This sort of bookkeeping is not for tax purposes. To put it another way, it is not accepted by the tax authorities.	This method of bookkeeping is acceptable for tax purposes. To put it another way, this method is accepted by the tax authorities.
If you use a single-entry bookkeeping system, you won't be able to prepare a trial balance.	In the case of a double-entry bookkeeping system, a trial balance can be prepared.
We can't accurately determine the company's financial status using the Single Entry System of Bookkeeping.	We accurately determine the company's financial status using the Double Entry System of Bookkeeping.
The single entry bookkeeping system is an inadequate accounting system since it does not record all financial transactions. Instead, it only tracks personal accounts such as debtors, creditors, and cash.	The double entry bookkeeping system is a full accounting system since it records all financial activities and categorize them into personal, real, and nominal accounts.
While keeping books of account under it, there is a considerable chance of workers committing frauds and errors.	While keeping books of account under it, there is a reduced danger of workers making frauds and errors.
Because it is not maintained to a specific standard, only the business owner can utilize it.	Because all books are kept in standard formats, this system can be used by any involved parties.
This system is only appropriate for small businesses.	It's appropriate for any business.

How to Determine Profit and Loss Under Single Entry System

There are two approaches used to determine the profit or loss under the single entry system:

1. Balance sheet approach (or net worth method)
2. Transaction approach (or conversion method)

1. The Balance Sheet Approach (Net Worth Approach)

If the books of a business are maintained under the single entry system, then profit or loss cannot be calculated using the trading account and profit and loss account.

The reason for this is that the records kept under the single entry system are incomplete. To calculate the profit or loss under the single entry system, the following fundamental equation for the balance sheet can be used:

Capital (Net Worth) = Assets — Liabilities

This method is also known as the **statement of affairs method**. This is because, using this method, two balance sheets (statements of affairs) are prepared.

The first statement of affairs prepared at the start of the year will show "Opening Capital," whereas the second statement prepared at the end of the year will give "Closing Capital."

By comparing "Opening Capital" and "Closing Capital," we can calculate the profit or loss. If closing capital is greater than opening capital, this indicates an increase in capital (i.e., "Profit").

On the other hand, if "Closing Capital" is less than "Opening Capital," it indicates a decrease in the capital, corresponding to a loss for the period.

STATEMENT OF AFFAIRS

Statement of Affairs is a statement of Assets and Liabilities prepared to find out the financial position (or Capital) of a business where accounts are not maintained on the double entry syste

Liabilities	₹	Assets	₹
Sundry creditors	xxx	Cash in hand	xxx
Bills payable	xxx	Cash at bank	xxx
Outstanding expenses	xxx	Sundry debtors	xxx
Bank overdraft	xxx	Bills receivable	xxx
Capital (Balancing figure)	xxx	Stock-in-trade	xxx
		Prepaid expenses	xxx
		Fixed assets	xxx
	xxx		xxx

Statement of Profit and Loss

Particulars	₹
Capital at the end of the year	xxx
Add: Drawings during the year	xxx
	xxx
Less: Additional capital introduced during the year	xxx
Adjusted closing capital	xxx
Less: Opening Capital	xxx
Profit or loss for the year	xxx

Differences between Statement of Affairs and Balance Sheet

Basis of Difference	Statement of Affairs	Balance Sheet
Objective	It is prepared to determine the amount of capital at a particular date.	It is prepared to ascertain the true financial position.
Reliability	It is based on estimates; hence, it is less reliable.	It is based on sophisticated and well developed principles; hence, it is more reliable.
Accounting Method	It is prepared from incomplete records of business transactions under single entry system.	It is prepared when accounts are maintained under double entry system.
Omission	Omission of assets and liabilities **cannot** be easily identified.	Omission of assets and liabilities can be easily identified, as omission will lead to mismatch of either sides of the balance sheet.

TEACHING PLAN

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	MALYALA JAGADEESH
Course/Group	II B.Com
Paper	**Advanced Accounting**
Name of the Topic	Hire purchase System
Hours Required	8 Hours
Learning Objectives	➢ Meaning and Definition of Hire purchase ➢ Importance of Hire purchase ➢ Difference Between Hire purchase and Instalment Purchase. ➢ Process of Preparing Hire purchaser and Hire vendor
Previous Knowledge to be reminded	Yes ape auto sellers
Topic Synopsis	➢ Meaning of hire purchase system ➢ Importance of Hire purchase ➢ Difference Between Hire purchase and Instalment Purchase. ➢ Accounting treatment in the books of Hire purchaser and vendor ➢ Illustrations
Examples / Illustrations	Text book, Illustrations
Additional inputs	Previous Question papers
Teaching Aids used	Black Board
References cited	PC Tulsian ,SP Jain KL Narang
Student Activity Planned after the teaching	Preparation of charts
Activity planned outside the Class room ,if any	Student Assignments

Signature Obtained in hard copy

Hire Purchase System:

Hire purchase is an arrangement for buying expensive consumer goods, where the buyer makes an initial down payment and pays the balance plus interest in installments. The term hire purchase is commonly used in the United Kingdom and it's more commonly known as an installment plan in the United States. However, there can be a difference between the two: With some installment plans, the buyer gets the ownership rights as soon as the contract is signed with the seller. With hire purchase agreements, the ownership of the merchandise is not officially transferred to the buyer until all the payments have been made.

Hire Purchase Agreement [Section 2]:

Hire purchase agreement means an agreement under the which goods are let on hire and under which the hire has an option to purchase them in accordance with the terms of the agreement and includes the agreement under which:

Possession of goods is delivered by the owner thereof to a person or condition that such person pays the agreed amount in periodical installments.

The property in the goods is to pass to such a person on the payment of the last installment and

Such a person has a right to terminate the agreement at any time before the property so passes. Every Hire Purchase Agreement shall be in writing and signed by all the parties thereto.

Characteristics of Hire Purchase System

Goods are delivered by the seller to the buyer.

Buyer agrees to pay hire purchase price (i.e., cash price + interest) in

Instalments paid are treated as hire charges till the payment of the last instalment.

After the payment of the last instalment, ownership is transferred in the name of the buyer.

In the case of default, in the payment by the buyer, the seller has got a right to repossess the goods, as ownership lies with the seller, till the payment of last installment.

Advantages of Hire Purchase Agreements

Like leasing, hire purchase agreements allow companies with inefficient working capital to deploy assets. It can also be more tax efficient than standard loans because the payments are booked as expenses—though any savings will be offset by any tax benefits from depreciation.

Businesses that require expensive machinery—such as construction, manufacturing, plant hire, printing, road freight, transport and engineering—may use hire purchase agreements, as could startups that have little collateral to establish lines of credit.

A hire purchase agreement can flatter a company's return on capital employed (ROCE) and return on assets (ROA). This is because the company doesn't need to use as much debt to pay for assets.

Disadvantages of Hire Purchase Agreements

Hire purchase agreements usually prove to be more expensive in the long run than making a full payment on an asset purchase. That's because they can have much higher interest costs. For businesses, they can also mean more administrative complexity.

In addition, hire purchase and installment systems may tempt individuals and companies to buy goods that are beyond their means. They may also end up paying a very high interest rate, which does not have to be explicitly stated.

Rent-to-own arrangements are also exempt from the Truth in Lending Act because they are seen as rental agreements instead of an extension of credit.

Hire purchase buyers can return the goods, rendering the original agreement void as long as they have made the required minimum payments. However, purchasers suffer a huge loss on returned or repossessed goods, because they lose the amount they have paid towards the purchase up to that point.

Terms Used in Hire Purchase agreement

1. **Hire Purchaser:** He is buyer in hire purchase agreement.
2. **Hire Vendor:** He is seller in a hire purchase agreement.
3. **Cash Price:** It is the amount to be paid for outright purchase in cash.
4. **Down Payment:** It is the of initial payment payable by the hire purchaser at the time of entering into a hire purchase agreement.
5. **Hire Purchase Price:** It is the total amount payable by the hire purchaseres to the hire vendor of goods are purchased under the hire purchase system.

Installment purchase system

An installment purchase system is a credit sale in which payments are made in installments over a period of time. In this system, the buyer gets the possession as well as ownership of the goods right at the time of signing the agreement. During the course of paying the installment, if the buyer makes default in paying the installment, the vendor cannot responses the goods. In that case, the vendor can sue the buyer for recovery of dues. Like in hire purchase even the paid installments also can not be forfeited in case of default in paying installment.

Thus, it can be said that installment system is a kind of credit sale where installments are entertained over the period and default in such payment cannot responses the goods and in that case, the vendor can only sue the buyer for the recovery of amount due.

Features of Instalment Purchase System

- Instalment purchase system is just like an outright credit sale of goods.
- The buyer makes the payment in different instalment over a period of time as agrees upon in the agreement.

- Under instalment purchase system, the buyer gets the immediate possession as well as the ownership of goods.
- The seller cannot responses the good if the buyer made default in the payment of instalment but he/she can sue against the buyer for the recovery of amount due.
- In case of default in the payment of instalment, the total amount of instalments already paid by the buyer cannot be forfeited.
- Under instalment system, the buyer can sell or mortgage the goods even before clearing all the instalments.
- Risk of goods/assets are to be borne by the buyer just after signing the agreement.
- The buyer of the goods under instalment purchase system has no right to return the goods to the seller.

Difference between Hire Purchase and Instalment Purchase

Base of Difference	Hire purchase System	Installment System
1. Ownership	Ownership of the goods or assets is transferred only after the payments of last installment.	Ownership of the goods or assets is transferred immediately after the agreement.
2. Nature of Contact	It is like an agreement of hiring of goods.	It is an agreement of sale of goods.
3. Return of goods	The Hire purchase may return assets without further payment except for the installment already due.	The assets cannot be returned because the purchaser is liable to pay the installment due.
4. Forfeiture of installment paid	In the case of default, the total amount of installment paid is forfeited and treated as hire charges.	In the default, the total amount of installment paid cannot be forfeited.
5. Rights of Purchaser	No right to hire out, sell, transfer, destroy pledge the assets to the purchaser.	The purchases can hire out, sell, transfer, destroy and pledge the assets.
6. Risk	All the risk related to the goods should be taken over by the vendor till the payment of last installment.	All the risks of assets are immediately transferred to the purchaser.
7. Repair	Vender is responsible for repair and maintenance of goods upto the last installment.	Vender s not responsible for repair and maintenance of goods.
8. Status of purchaser	Under this system hire purchaser is treated as a hirer.	Under this system, purchaser is the owner of the assets.
9. Rights of return	Purchaser can return goods or assets to the hire vendor before the payment of last installment.	Purchaser cannot return goods or assets to the seller.

TEACHING PLAN

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	MALYALA JAGADEESH
Course/Group	II B.Com
Paper	**Advanced Accounting**
Name of the Topic	Partnership Accounts-I
Hours Required	8 Hours
Learning Objectives	Understanding the Meaning and definition of Partnership Meaning Partnership Deed Methods of maintaining Capital Partners capital Accounts Fixed capital and Fluctuating Capital Treatment of Goodwill Admission of New Partner Calculation of new profit sharing ratio, Sacrificing ratio Retirement of partner Gaining ratio
Previous Knowledge to be reminded	*Yes, Reminded*
Topic Synopsis	Understanding the Meaning and definition of Partnership Meaning Partnership Deed Methods of maintaining Capital Partners capital Accounts Fixed capital and Fluctuating Capital Treatment of Goodwill Admission of New Partner Calculation of new profit sharing ratio, Sacrificing ratio Retirement of partner Gaining ratio
Examples / Illustrations	Text book illustrations
Additional inputs	Previously asked questions in various University exams
Teaching Aids used	Black Board
References cited	PC.Tulsian,SP Jain KL Narang
Student Activity Planned after the teaching	Preparation of charts
Activity planned outside the Class room ,if any	Student Assignments

Signature Obtained in hard copy

Meaning of Partnership

When two or more persons join hands to set up a business and share its profits and losses it is called Partnership. Section 4 of the Indian Partnership Act 1932 defines partnership as the 'relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all'.

Partners are the persons who have entered into partnership individually with one another. Partners collectively are called 'firm'. The essential features of the partnership are as follows.

Features of Partnership

Two or More Persons

There should be at least two persons coming together to form the partnership for a common goal. In other words, the minimum number of partners in a partnership firm can be two.

Indian Partnership Act, 1932 has put no limitations on maximum numbers of partners in a firm. But however, Indian Companies Act, 2013 puts a limit on a number of the partners in a firm as follow:

- For Banking Business, Partners must be less than or equal to 10.
- For Any Other Business, Partners must be less than or equal to 20.
- If the number of partners exceeds the limits, the partnership becomes illegal.

Agreement

The partnership is an agreement between two or more persons who decided to do business and share its profits and losses. To have a legal relationship between the partners, the partnership agreement becomes the basis. The agreement can be in written form or oral form. An oral agreement is equally valid. But, preferably the partners should have a written agreement, in order to avoid disputes in future.

Business

To carry on some business there should be an agreement. Mere co-ownership of a property does not amount to the partnership. The business must also be legal in nature, a partnership to carry out illegal business is not valid.

Mutual Agency

The business of a partnership firm may be carried on by all the partners or any of them acting for all. This statement has two important implications. First, to participate in the conduct of the affairs of its business, every partner is entitled. Second that a relationship of mutual agency between all the partners exists.

For all the other partners, each partner carrying on the business is the principal as well as the agent. He can bind other partners by his acts. And also is bound by the acts of other partners with regard to the business of the firm.

Sharing of Profit

The agreement between partners must be to share profits and losses of a business. Sharing of profits and losses is important. The partnership is not for the purpose of some charitable activity.

Liability of Partnership

Each partner is liable jointly with all the other partners. And also when is a partner, severally liable to the third party for all the acts done by the firm. Liability of the partner is not limited. This implies that for paying off the firm's debts, his private assets can also be used.

Partnership Deed

Agreement to carry on a business between the partners, partnership comes into existence. The partnership agreement can be either oral or written. The Partnership Act does not require that the agreement must be in writing. But when the agreement is in written form, it is called 'Partnership Deed'. Partnership deed should be duly signed by the partners, stamped & registered.

Partnership deed generally contains the following details:

- Names and Addresses of the firm and its main business;
- Names and Addresses of all partners;
- A contribution of the amount of capital by each partner;
- The accounting period of the firm;
- The date of commencement of partnership;
- Rules regarding an operation of Bank Accounts;
- Profit and loss sharing ratio;
- The rate of interest on capital, loan, drawings, etc;
- Mode of auditor's appointment, if any;
- Salaries, commission, etc, if payable to any partner;
- The rights, duties, and liabilities of each partner;

- Treatment of loss arising out of insolvency of one or more partners;
- Settlement of accounts on the dissolution of the firm;
- Method of a settlement of disputes among the partners;
- Rules to be followed in case of admission, retirement, a death of a partner; and
- Any other matter relating to the conduct of business. Normally, all the matters affecting the relationship of partners amongst themselves are covered in partnership deed.

Maintenance of Partner’s Capital Accounts

Most of the transactions relating to the partners of the firm are recorded in the books of the firm through their capital accounts. This includes various transactions like money brought in by the partner, withdrawal of the capital, the share of profit, interest on drawings, interest on capital, etc.

There are two methods by which the capital of the partners is maintained. These special aspects accounts are : (a) Fixed Capital Method and (b) Fluctuating Capital Method.

Fixed Capital Account Method

Under this method, the firm prepares two accounts which show different transactions related to the capitals of the partners.

1.Partners Capital Account

A firm prepares Fixed Account with very basic capital related transactions. Unlike the Capital account, under these repetitive capital related transactions does not affect the Capital balance. Like, Salary of employees, commission for employees, interest on capital, interest on drawings, etc.

The firm opens the account in the name of “Fixed Capital Account”. Initial Investment will appear on the credit side as the starting entry. Only two kinds of Capital related transactions can affect its balance :

(1) Addition of Capital

(2) Permanent Withdrawal of Capital

[Note: Sometimes even the Non-Permanent Withdrawals or Drawings are also included on the debit side of this account.]

2.Partners Current Account

It includes all the capital related transactions other than the initial investment of capital, addition of capital and withdrawal of capital. Hence, It mainly includes items such as :

1. Interest on Capital

2. Interest on Drawings

3. Salaries and other remuneration to employees

4. Commission to employees and even more.

Hence, by preparing this account, we can let the main capital of the business “fixed”. As a result of which there is no fluctuation at all. Hence, the firm will be able to find out the exact reasons behind the change.

Fluctuating Capital Account Method

Firstly, fluctuate means anything having unpredictable ups and downs. Hence, under this method, the Capital of each Partner keeps on changing from time to time.

In a firm, there is a single account under the name “Capital” which shows all the necessary information about the different transactions related to the capital. It mostly starts with a credit amount of the capital invested by the partner in the initial time of the business.

All the adjustments leading to a decrease in the Capital are shown on the Debit side of the Capital Account. For example, Drawings by Partners and interest comes on the debit side of the Capital account. All the adjustments leading to an increase in the Capital are shown on the Credit side.

Concept of Goodwill

Goodwill is nothing but the reputation of a partnership firm. It is computed on the basis of expected profits in excess of normal profits. It denotes the firm’s capacity to earn a greater profit in the future based on its track record.

All firms functioning in a geographical area and working in the same business can expect to earn similar profits. If one firm earns excess profits than it expects, this is due to its goodwill. This can happen because of various factors. For example, it offers better customer service or its partners have a greater market reputation.

Nature of Goodwill

We have to treat goodwill in accounting terms as an asset. It is not a physical asset because we cannot see or touch it. Despite this, we treat it as an intangible asset because we derive some value from it.

According to Accounting Standards, an intangible asset must contain the following features. Since goodwill contains all these characteristics, we can conclude that it is an intangible asset.

It must have characteristics of assets. This means that it must have some clearly identifiable value.

The asset must have future economic benefits. The firm must be able to expect and predict what value they will get from it.

Its value must be measurable. It is not an asset if we cannot measure its value in monetary terms.

Valuation of Goodwill

According to Accounting Standards, partners have to compute their firm's goodwill for the following purposes:

Partners change their profit sharing ratio

A new partner joins a firm

An existing partner retires or dies

Partners want to dissolve the firm

In all these cases, partners have to first calculate and distribute existing goodwill before taking further steps.

Factors Affecting Goodwill

There is no exhaustive list of factors affecting goodwill. The following factors, however, commonly affect a firm's goodwill:

Partners' ability to attract customers due to their reputation

Quality of goods or services

Customer satisfaction

Location of business

Possession of intellectual property rights like trademarks

Monopoly rights like exclusive license to sell the product

Possession of special contracts to make goods available easily

Good managerial skills

How much the company has spent on R&D

Principles of Treatment of Goodwill

Now that we understand the concept of goodwill, let's take a look at the treatment of goodwill. According to Accounting Standards, we have to follow these basic principles while treating goodwill.

Firstly, goodwill can be recorded only when some consideration is paid in money or money's worth. Hence, we can record only purchased goodwill.

Secondly, Accounting Standards prohibit internal goodwill. In other words, this means that we cannot record goodwill for which money has not been paid. For example, partners may decide to record goodwill without any purpose necessary. They cannot do this.

Finally, partners must write off goodwill over a period of time. In the case of reconstitution of the firm, they must first write off goodwill immediately and then proceed ahead.

Goodwill Valuation

A well-established firm earns a good name in the market, builds trust with the customers and also has more business connections as compared to a newly set up business. Thus, the monetary value of this advantage that a buyer is ready to pay is termed as Goodwill. The buyer who pays for Goodwill expects that he will be able to earn super profits as compared to the profits earned by the other firms. Thus, goodwill exists only in the case of firms making super profits and not in the case of firms earning normal profits or losses.

Goodwill is recorded in the books only when some consideration in money or money's worth is paid for it. Thus, in the context of a partnership firm, the need for valuation of goodwill arises at the time of:

Change in the profit sharing ratio amongst the existing partners

Admission of a new partner

The retirement of a partner

Death of a partner

Dissolution of a firm where business is sold as going concern.

Amalgamation of partnership firms

Methods of Valuation of Goodwill

The choice of the method of goodwill valuation depends entirely on the partners or the partnership deed when they have made it.

1. **Average Profits Method**

i**] Simple Average**: Under this method, the goodwill is valued at the agreed number of years' of purchase of the average profits of the past years. Goodwill = Average Profit x No. of years' of purchase

ii**] Weighted Average**: Under this method, the goodwill is valued at an agreed number of years' of purchase of the weighted average profits of the past years. We use the weighted average when there exists an increasing or decreasing trend in the profits giving the highest weight to the current year's profit.

Goodwill = Weighted Average Profit x No. of years' of purchase

Weighted Average Profit = Sum of Profits multiplied by weights/ Sum of weights

2. **Super Profits Method**

(i) The Number of Years Purchase Method: Under this method, the goodwill is valued at the agreed number of years' of purchase of the super profits of the firm.

Goodwill = Super Profit x No. of years' of purchase

Super Profit = Actual or Average profit – Normal Profit

Normal Profit = Capital Employed x (Normal Rate of Return/100)

(ii) **Annuity Method**: This method considers the time value of money. Here, we consider the discounted value of the super profit.

Goodwill = Super Profit x Discounting Factor

3. **Capitalization Method**

(i) Capitalization of Average Profits: Under this method, the value of goodwill is calculated by deducting the actual capital employed from the capitalized value of the average profits on the basis of the normal rate of return.

Goodwill = Normal Capital – Actual Capital Employed

Normal Capital or Capitalized Average profits = Average Profits x (100/Normal Rate of Return)

Actual Capital Employed = Total Assets (excluding goodwill) – Outside Liabilities

(ii) Capitalization of Super Profits: Under this method, Goodwill is calculated by capitalizing the super profits directly.

Goodwill = Super Profits x (100/ Normal Rate of Return)

Accounting treatment Goodwill in case of the change in Profit Sharing Ratio (PSR)

When there is any change in the profit sharing ratio of partners, Goodwill is valued. One partner may gain a share of profit and others may sacrifice.

So, we adjust Goodwill through capital accounts of partners. Debit the Gaining partner's capital account and credit the sacrificing partner's capital account. The basis of this adjustment is the profit sacrificing ratio.

If partners decide to change the profit-sharing ratio in the future, the gaining partner shall compensate the losing partner in the agreed ratio. The compensation will be the value of goodwill represented by the gain.

The change in profit-sharing ratio represents that one partner is purchasing the share of profit from another partner. Suppose, X and Y, are partners sharing profits in the ratio of 3: 1 respectively. It is decided that in the future they will be equal partners; it means that X is selling to Y 1/4th share of profits.

Accounting Treatment of Goodwill in case of Admission of Partner

The incoming partner brings in some amount as his share of Goodwill or Premium to compensate the existing partners for the loss of their share in the future profits of the firm. Thus, at the time of admission of a partner, there are following two ways to treat goodwill.

1] Premium Method

Under this method, when the incoming partner brings his share of goodwill in cash, the existing partners share it in the sacrificing ratio. However, when the amount of goodwill is paid privately by the new partner to old partners privately in cash, no entry is passed in the books of the firm.

A. Goodwill does not appear in the books:

Date	Particulars		Amount (Dr.)	Amount (Cr.)
1. The new partner brings goodwill in cash	Cash A/c	Dr.		
	To Goodwill A/c	Cr.		
	(Being share of goodwill of new partner brought in cash)			
2. Old partners distribute Goodwill	Goodwill A/c	Dr.		
	To Old Partners Capital A/c (Individually)	Cr.		
	(Being goodwill distributed among the old partners in their sacrificing ratio)			

Alternatively, we can credit the share of goodwill that the new partner brings in cash to the new partner's capital account and then adjust existing partners' capital accounts in their sacrificing ratio.

The following are the Journal Entries:

Date	**Particulars**		**Amount (Dr.)**	**Amount (Cr.)**
1. The new partner brings goodwill in cash	Cash A/c	Dr.	XXX	
	To New Partner's Capital A/c	Cr,		XXX
	(Being amount brought by new partner for his share of goodwill)			
2. Old partners distribute Goodwill	New Partner's Capital A/c	Dr.	XXX	
	To Existing Partner's Capital A/c (Individually)	Cr,		XXX
	(Being goodwill brought by new partner distributed among the existing partners in their sacrificing ratio)			
3. Old partners withdraw goodwill	Existing Partner's Capital A/c (Individually)	Dr.	XXX	

	To Cash A/c	Cr,		XXX
				Being

B. When Goodwill already exists in the books:

(a) Goodwill not to appear in books in the future:

Date	Particulars		Amount (Dr.)	Amount (Cr.)
1. Write off old goodwill	Old Partners Capital A/c (Individually in the old ratio)	Dr.	XXX	
	To Goodwill A/c (old)	Cr.		XXX
	(Being old goodwill written off)			
2. New Partner brings goodwill in cash	Cash A/c	Dr.	XXX	
	To Goodwill A/c	Cr.		XXX
	(Being share of the goodwill of new partner brought in cash)			

3. Old partners distribute goodwill	Goodwill A/c	Dr.	XXX	
	To Old Partners Capital A/c (Individually)	Cr.		XXX
	(Being old partners distribute goodwill)			

(b) Goodwill continues to appear in the books:

When the partners decide that goodwill continues to appear in the books, the new partner will bring his proportionate share of goodwill only in respect of the difference between the new value and the book value. All the journal entries in this respect are the same.

2] Revaluation Method

We use this method when the new partner decides not to bring his share of goodwill in cash. Thus, we need to raise the goodwill account in the books by debiting Goodwill account and crediting old partners' capital accounts in the old profit-sharing ratio.

A. Goodwill does not appear in the books:

Date	**Particulars**		**Amount (Dr.)**	**Amount (Cr.)**
1. Raising Goodwill A/c	Goodwill A/c (full value)	Dr.	XXX	
	To Old Partners' Capital A/c (Individually in old ratio)	Cr.		XXX

(Being Goodwill raised at full value in the old ratio)

B. When Goodwill already exists in the books:

Date	Particulars		Amount (Dr.)	Amount (Cr.)
1. Agreed value of goodwill is more	Goodwill A/c	Dr.	XXX	
	To Old Partners Capital A/c (Individually in old ratio)	Cr.		XXX
	(Being goodwill raised to its agreed value)			
2. Agreed value of goodwill is less	Old Partners Capital A/c (Individually in old ratio)	Dr.	XXX	
	To Goodwill A/c	Cr.		XXX
	(Being goodwill reduced to the agreed value)			

3. Writing off goodwill	All Partners' Capital A/c (individually in new ratio)	Dr.	XXX	
	To Goodwill A/c	Cr.		XXX
	(Being goodwill written off)			

Accounting treatment of Goodwill in case of death of a partner

The retiring or deceased partner is entitled to his share of goodwill at the time of retirement or death because the goodwill earned by the firm is the result of the efforts of all the partners in the past. Since in future profits will arise because of the present goodwill.

The retiring or the deceased partner will not be sharing future profits. Therefore all continuing partners pay to retiring partner the share of Goodwill in gaining ratio. It is fair to compensate the retiring or deceased partner for the same. At the time of retirement or death of a partner, we value the goodwill on the basis of agreement among the partners.

After Goodwill valuation, The adjustment for goodwill will be made through the partner's capital accounts.

Following is the journal entry:

Continuing Partner's capital A/c Dr.

To Retiring /Deceased Partner's capital A/c

(Being goodwill adjusted through partner's capital account)

Note:- On the death of a partner; the amount payable to him is to be paid to his legal representatives.

Although retirement and death of a partner are two totally different events, in accounting most of the treatment is similar in nature. A partner may decide to retire or withdraw from the firm due to reasons such as his age, his bad health, change in firm's nature of a business, etc.

In case of Partnership at Will, a partner may retire at any time. Death or insolvency of a partner also results in the reconstitution of the firm when the remaining partners wish to continue the firm. In case of death of a partner, the firm pays the due amount to the partner's legal heir.

Reconstitution of a Partnership Firm

The partnership is an agreement between two or more persons for sharing the profits of a business carried on by all or any one of them acting for all. Any change in the existing agreement is known as reconstitution of the partnership firm. Thus, the existing agreement ends and a new agreement is formed with the changed relationship among the members of the partnership firm and its composition.

Reconstitution of a partnership firm takes place whenever there is a change in the profit sharing ratio among the partners, admission of a new partner, retirement of a partner and death or insolvency of a partner.

TEACHING PLAN

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	MALYALA JAGADEESH
Course/Group	II B.Com
Paper	**Advanced Accounting**
Name of the Topic	Partnership Accounts-II
Hours Required	8 Hours
Learning Objectives	Dissolution of a Partnership Firm Application of Garner v/s Murray Rule in India Insolvency of one or more Partners
Previous Knowledge to be reminded	Yes, Reminded
Topic Synopsis	Dissolution of a Partnership Firm Application of Garner v/s Murray Rule in India Insolvency of one or more Partners
Examples / Illustrations	Text book illustrations
Additional inputs	Previously asked questions in various University exams
Teaching Aids used	Black Board
References cited	PC.Tulsian,SP Jain KL Narang
Student Activity Planned after the teaching	Preparation of charts
Activity planned outside the Class room ,if any	Student Assignments

Signature Obtained in hard copy

Dissolution of Partnership Firm

Dissolving a partnership firm means discontinuing the business under the name of the said partnership firm. In this case, all liabilities are finally settled by selling off assets or transferring them to a particular partner, settling all accounts that existed with the partnership firm.Any profit/ loss is transferred to partners in their profit sharing ratio as agreed by them in the partnership deed.

Dissolving a partnership firm is different from dissolving a partnership. In the former case, the firm ends its name and hence cannot do business in the future. But in case of dissolving a partnership, the existing partnership is dissolved by consent or on happening of a certain event, but the firm can retain its existence if remaining partners enter into a new partnership agreement.

Section 39 of the Indian Partnership Act 1932 states that the dissolution of partnership firm among all the partners of the partnership firm is the Dissolution of the Partnership Firm. The dissolution of partnership firm ceases the existence of the organization.

Difference between the Dissolution of Partnership and Dissolution of Firm

Basis	Dissolution of Partnership	Dissolution of Firm
1. Closure of business	The business of the firm continues there is no closure.	The business of the firm gets discontinued.
2. Settling of assets and liabilities	There is a revaluation of assets and liabilities. Hence, they are shown at revalued figures in the Balance Sheet.	The liabilities are paid-off and assets are realized.
3. Intervention by court	In this case, there is no intervention by the court as the dissolution of partnership takes place by the mutual consent of all the partners.	The court may or may not intervene in this case.
4. Relationship	The relationship between the partners continues to exist though it may change its form.	The relationship between the partners ceases to exist.

5. The closing of Books of accounts	There is no closure of books as the business continues.	The books need closure as the business ceases to continue.

Ways of Dissolving a Partnership Firm

There are different ways in which a partnership firm may get dissolved. They are –

When partners mutually agreed

It is the easiest way to dissolve a partnership firm since all partners have mutually agreed upon closing the partnership firm. Partners can give a mutual consent or may enter into an agreement for the dissolve.

Compulsory dissolution

A firm may need to be dissolved compulsorily if:

All partners or all partners except one partner are declared insolvent.

The firm is carrying unlawful activities like dealing in drugs or other illegal products or doing business with alien countries or other countries that may harm the interest of India or doing other such activities.

Dissolution depending on certain contingent events

Upon happening of certain events, a firm may be required to get dissolved:

Expiry of fixed-term– Partnership formed for a fixed term will get dissolved once the term gets over.

Completion of a task– Sometimes, a partnership is formed for a certain task or objective. Once the task is completed, the partnership will automatically get dissolved.

Death of the partner– If there are only two partners, and one of the partner dies, the partnership firm will automatically dissolve. If there are more than two partners, other partners may continue to run the firm. In such case, only the partnership will get dissolved, and other partners will enter into a new agreement.

Dissolution by notice

If a partnership business is at will, any partner can dissolve the partnership by giving advance notice. Notice will contain a date from which dissolution will be effective.

Dissolution by Court

If any of the partners become mentally unstable or misbehaves with the other partner(s) or doesn't abide by the clauses of the agreement, the other partner(s) may file a case in the court to dissolve the firm. But a court can dissolve the firm only if it is registered with the Registrar of Firms. Hence an unregistered partnership firm can't be dissolved by the court.

Transfer of interest or equity to the third party

If any partner transfers control in the form of interest or equity to a third party without consulting other partners, the partner(s) may dissolve the firm.

Partners still liable to third parties

Until a public notice of dissolution is given, the partners remain liable for any act done by any of the partners which would have been an act of the firm, if such act was done before resolution.

If a partner has been declared insolvent or has retired from the firm, he will not be liable for any acts done after his insolvency or retirement. The legal heirs of any deceased partner are also not liable for any acts done by other partners after the partner has died.

Settlement of Accounts

Accounts of the firm are settled in the following order–

Losses of the firm will be paid out of the profits, next out of the capital of the partners, and even then if losses aren't paid off, losses will be divided among the partners in profit sharing ratios.

Assets of the firm and the capital contributed by the partners to set-off losses of the firm will be applied in the following order–

Third party debts will be paid first.

Next, the loan amount taken by the firm from any partner will be repaid to that partner.

Capital contributed by each partner will be repaid to him in the capital contribution ratio.

The Balance amount will be shared among the partners in their profit sharing ratios.

Upon realization, all assets will be sold off in the market, and the cash realizing out of such a sale will be used for paying the liabilities. Assets or liabilities may also be taken over by the partner(s) for which the respective partner capital accounts will be adjusted by such amount.

Accounting Treatment

On dissolution, the books of the firm are to be closed. Dissolution process starts by opening the following accounts in the firm's books:

Realization Account,

Partner's Loan Account,

Partners' Capital Accounts,

Bank or Cash Account.

1] Realization Account

The object of preparing Realization account is to close the books of accounts of the dissolved firm and to determine profit or loss on the Realization of assets and payment of liabilities. It is prepared by:

Transferring all the assets except Cash or Bank Account to the debit side of the account.

Transferring all the liabilities except Partner's Loan Account and Partners' Capital Accounts to the credit side of the account.

Crediting the Receipt on the sale of assets to the account.

Debiting the payment of Liabilities to the account.

Debiting the dissolution expenses of the firm.

The balance in the account may be either profit or loss. We transfer this balance to the Capital Accounts of the Partners in their profit-sharing ratio.

2] Partner's Loan Account

We do not transfer the loan by a partner to firm to Realization account, it remains in its account itself. At the time of settlement, i.e., payment of liabilities, we pay partner's loan after paying the outside liabilities but before payment of capital.

3] Partners' Capital Accounts

If partners take over firm's assets, we debit it to their Capital Accounts at the agreed value being payment against their capital. If a partner takes over the liability of the firm, we credit it to their Capital Accounts. In addition, we also transfer undistributed profits/losses, reserves and Realization profit/loss to capital accounts in their profit-sharing ratio.

4] Bank or Cash Account

On the debit side, we show opening balance, the amount received from the sale of assets and amount brought by partners. And on the credit side, we show payment of liabilities, expenses and amount paid to partners.

Garner Vs Murray: Loss by Insolvent Partner (Dissolution of Partnership Firm)

If, at the time of dissolution, a partner owes a sum of money to the firm, he has to pay it to the firm. But if he is insolvent, he will not be able to do so, at least lot fully. The sum which is irrecoverable from an insolvent partner is, therefore, a loss. The question arises whether this loss is an ordinary loss to be shared by the solvent partners in the profit sharing ratio or whether it is an extraordinary loss. Before the decision in Garner vs. Murray was made, such a loss was treated as an ordinary loss.

The judgment in this case was that:

(a) First, the solvent partners should bring in cash equal to their respective shares of the loss on realization; and

(b) Second, the loss due to the insolvency of a partner should be divided among the other partners in the ratio of capitals then standing (i.e., after partners have brought in cash equal to their shares of loss on realization).

The practical effect of this is that the loss due to the insolvency of a partner has to be borne by the solvent partners in the ratio of their capitals standing just prior to dissolution.

Fixed and Fluctuating Capitals:
If the ratio in which an insolvent partner's loss is to be written off is the ratio of capitals just prior to dissolution or as last agreed upon, the fact of capitals being fixed or fluctuating is important. If the capitals are fixed, then that will be the ratio in which an insolvent partner's loss will be borne. But if the capitals are fluctuating, all necessary adjustments in respect of reserves or profit and loss account, etc., should first be made (but without adjusting the loss on realization). The ratio in which the insolvent partner's loss will be divided will be the ratio of the resultant capitals.

The student will note, however, that if there are any balances lying in the Profit and Loss Account or the General Reserve, these must in any case be transferred to all partners' capital accounts in the profit-sharing ratio. The above paragraph merely discusses the ratio in which the insolvent partner's loss will be divided. Suppose, A's capital is Rs 1, 00,000 and B's capital is Rs 60,000, C's capital shows a debit balance of Rs 40,000. There is a reserve of Rs 60,000. Dividing the reserve among A, B and C, each partner will be credited with Rs 20,000. C is insolvent.

(a) If the capitals are fixed, the loss on C's Capital Account will be borne by A and B in the ratio of 10 : 6, i.e., capitals without adjustment for reserve; and

(b) If the capitals are fluctuating, the deficiency in C's Capital Account will be borne by A and B in the ratio of 12 : 8 respectively, i.e., capitals after adjustment for reserve.

Equity:
It must not be supposed that the decision in Gamer vs. Murray always works equitably; it considers only the capitals standing in the books and not the private estates of solvent partners. It is possible that a partner who has contributed a large capital is made to bear a large proportion of an insolvent partner's loss as compared to a partner who is richer but has not contributed so much capital. If a partner is lucky to Rave drawn all his money away before the dissolution, so that his capital account does not show a credit balance, he will bear no part of the loss due to a partner's insolvency.

It is, therefore, quite common to find clauses in the partnership deed laying down how a loss in an insolvent partner's capital account will be shared by the solvent partners. If such a clause exists, it must be followed because the decision in Garner vs. Murray applies only where there is no agreement on this point.

Application in India:

Some people believe that in India the decision in Garner vs. Murray does not apply. But there is nothing in Indian Partnership Act which goes against the rule laid down in the case and it would be safe to follow it till an Indian Court definitely rules against it. According to section 48, partners are required to make up their shares of losses and then assets, remaining after satisfaction of claims of outsiders and after repayment of the advances of partners over and above capitals contributed by them, have to be distributed ratably amongst the partners. A partner is required to make up his share of the realization loss but not that of other partners.

The effect of this would be that assets remaining after paying off creditors' claims and partners' loans, as increased by the share of loss contributed by solvent partners, would be distributed amongst solvent partners in the ratio of their capitals minus their shares of loss plus cash brought in by them for it or, in other words, capitals just before dissolution. This is precisely the decision in Garner vs. Murray. In practice, only entries are made and no cash is brought actually; notional adjustment is sufficient.

The whole position, when a partner is insolvent, may be summed up as follows:

(a) Make a Realization Account in the ordinary way and transfer its profit or loss to the capital accounts of all the partners in the profit-sharing ratio.
(b) If anything is received from the estate of the insolvent partner, it should be credited to his capital account.
(c) The debit balance in the capital account of the insolvent partner should be transferred to the capital accounts of solvent partners in the ratio of capitals as they stand just before dissolution (or in the ratio of fixed capitals, if capitals are fixed).
(d) The solvent partners will then draw out cash according to their claims.

TEACHING PLAN

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	MALYALA JAGADEESH
Course/Group	II B.Com
Paper	Business Laws
Name of the Topics	Contract: Offer, Acceptance and Consideration:
Hours Required	08
Learning Objectives	➢ Understand the legal environment of business and laws of business. ➢ Highlight the security aspects in the present cyber-crime scenario. ➢ Apply basic legal knowledge to business transactions. ➢ Understand the various provisions of Company Law. ➢ Engage critical thinking to predict outcomes and recommend appropriate action on issues relating to business associations and legal issues. ➢ Integrate concept of business law with foreign trade.
Previous Knowledge to be reminded	
Examples / Illustrations	Text Book Examples
Additional inputs	
Teaching Aids used	Black Board
References cited	PC Tulsain
Student Activity Planned after the teaching	Student Seminar
Activity planned outside the Class room ,if any	Class Room Assignment

Signature obtained in hard copy

Unit-I

A contract is a legally binding agreement between two or more parties who agree to perform certain actions or provide goods or services in exchange for something of value. It can be written or verbal and can be entered into between individuals, businesses, or even governments.

Essential elements of a valid contract include:

Offer: There must be a clear and definite offer made by one party to another.

Acceptance: The offer must be accepted by the other party in the same terms as offered.

Consideration: There must be something of value exchanged between the parties, such as money, goods, or services.

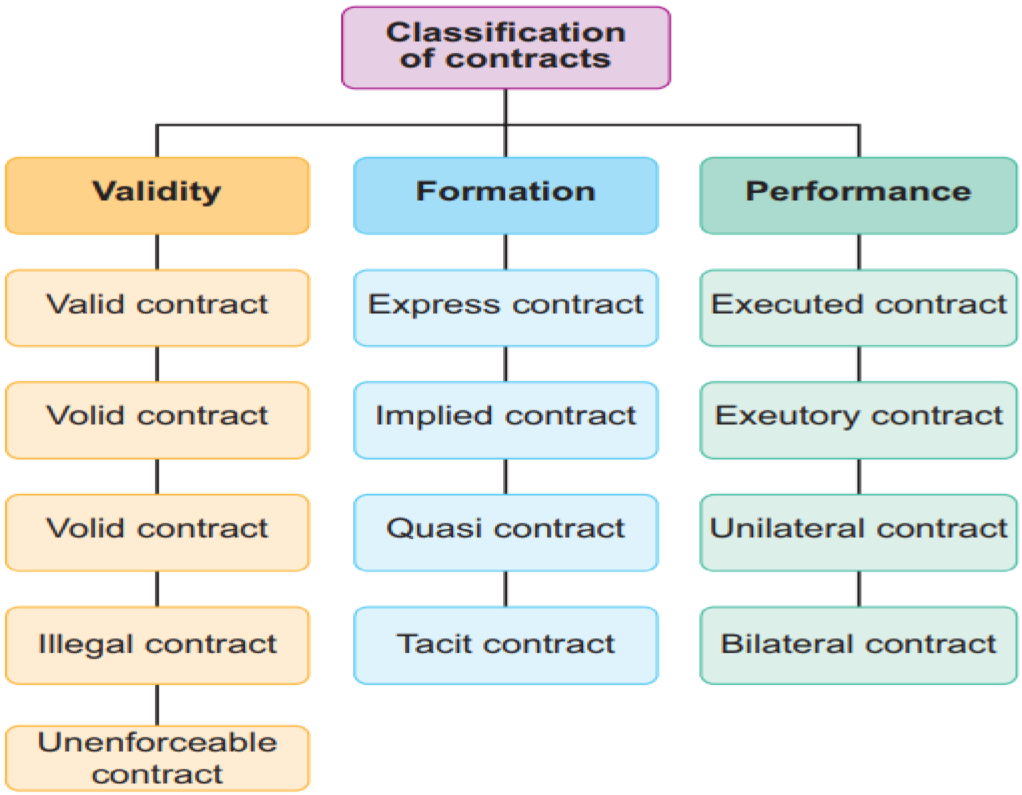
Capacity: Both parties must have the legal capacity to enter into a contract, which means they must be of legal age and have the mental ability to understand the terms of the agreement.

Intent: Both parties must have the intention to be legally bound by the terms of the contract.

Legal Object: The subject matter of the contract must be legal and not against public policy.

Free Consent: Both parties must enter into the contract voluntarily and without any coercion, undue influence, fraud, or misrepresentation.

Types of Contracts:



1.Valid Contract

An agreement which fulfils all the essentials prescribed by law on the basis of its creation. For example S offers to sell his car for Rs.2,00,000 to T. T agrees to buy it. It is a Valid Contract.

2. Void Contract (2(j))

A contract which ceases to be enforceable by law. A contract which does not satisfy any of the essential elements of a valid contract is said to be Void. For example A contract between drug dealers to buy and sell drugs is a void contract.

3. Voidable Contract 2(i)

An agreement which is enforceable by law at the option of one or more parties but not at the option of the other or others is a voidable contract. This is the result of coercion, undue influence, fraud and misrepresentation.

4. Illegal Contract

It is a contract which is forbidden by law. All illegal agreements are Void but all void agreements or contracts are not necessarily illegal. Contract that is immoral or opposed to public policy are illegal in nature.

Unlike illegal agreements there is no punishment to the parties to a void agreement.

Voidable contract: A voidable contract is one that is valid and enforceable at the option of one of the parties, but not at the option of the other party. For example, a contract entered into by a minor is voidable at the option of the minor, but not at the option of the other party.

Void contract: A void contract is one that is not enforceable by law and has no legal effect. For example, a contract to commit a crime is void.

Express contract: An express contract is created when the parties to the contract explicitly express their intentions through words, either orally or in writing.

Implied contract: An implied contract is created when the conduct of the parties indicates that they have mutually agreed to the terms of the contract, even though they may not have explicitly discussed it.

Executed contract: An executed contract is one in which all the terms have been performed by the parties.

Executory contract: An executory contract is one in which some or all of the terms have not been performed by the parties.

Unilateral contract: A unilateral contract is one in which one party makes a promise in exchange for the performance of an act by the other party.

Bilateral contract: A bilateral contract is one in which both parties exchange promises to perform certain acts.

Contingent contract: A contingent contract is one in which the performance of the contract depends upon the occurrence of a future uncertain event.

Wagering contract: A wagering contract is a contract in which two parties agree that one will win and the other will lose based on the outcome of an uncertain future event. Wagering contracts are generally considered void.

Unit-II: Offer, Acceptance and Consideration:

Offer and Types of Offer:

An offer is a proposal or expression of willingness made by one party to another with the intention of forming a legally binding agreement. In other words, it is a promise to do or not to do something, provided the other party accepts the offer.

There are several types of offers they are as follows:

Express Offer: An express offer is a direct and specific offer made by one party to another, either verbally or in writing. For example, an advertisement for the sale of goods or services is an express offer.

Implied Offer: An implied offer is one that is inferred from the conduct of the parties, rather than being explicitly stated. For example, if you go to a restaurant and order a meal, you are making an implied offer to pay for it.

Specific Offer: A specific offer is one that is made to a particular person or group of people. For example, an employer may make a specific offer of employment to a particular candidate.

General Offer: A general offer is one that is made to the public at large, inviting anyone who meets the stated conditions to accept it. For example, a reward offered for the return of a lost item is a general offer.

Cross Offer: A cross offer occurs when both parties make identical offers to each other simultaneously. Since the offers cancel each other out, no contract is formed.

Counter Offer: A counter offer is a response to an initial offer that proposes different terms or conditions. A counter offer terminates the original offer and creates a new offer that can be accepted or rejected.

Standing Offer: A standing offer is an offer that remains open for a specified period or until it is revoked. For example, a supplier may make a standing offer to a customer to provide goods or services at a certain price for a specified period.

Essentials of a valid offer:

Intention to create legal relations: The offeror must intend to create a legally binding contract, and the terms of the offer must be clear and unambiguous.

Definite and certain terms: The offer must contain definite and certain terms, including the subject matter of the contract, the price, and the time and place of performance.

Communication to the offeree: The offer must be communicated to the offeree, either directly or through an agent. The offeree must be aware of the terms of the offer and must have the opportunity to accept or reject it.

Revocability: The offer must not have been revoked by the offeror before the offeree accepts it. However, an offer can be revoked if the offeror communicates the revocation to the offeree before acceptance.

Capacity to contract: The parties to the contract must have the legal capacity to enter into a contract. This means that they must be of legal age, have mental capacity, and not be under duress or undue influence.

Unconditional: The offer must be unconditional and not contain any conditions that are not in the control of the offeror. For example, an offer cannot be conditional on a third party's approval.

In summary, a valid offer must contain definite and certain terms, be communicated to the offeree, not have been revoked, and be unconditional. Additionally, the parties to the contract must have the legal capacity to enter into the contract, and the offeror must intend to create a legally binding agreement.

Acceptance and Essentials of Valid Acceptance:

Acceptance is a key concept in contract law, and it refers to the act of agreeing to the terms of a contract. In order for a contract to be legally binding, there must be a valid acceptance of the offer made by one party to another. The following are the essentials of a valid acceptance:

Meeting of the minds: There must be a mutual understanding of the terms of the contract between the parties. This means that both parties must have the same understanding of the offer and the acceptance.

Communication: The acceptance must be communicated to the offeror. In other words, the offeror must be informed of the acceptance, either orally or in writing.

Unconditional: The acceptance must be unconditional. This means that it must be an unqualified acceptance of all the terms of the offer.

Timeliness: The acceptance must be made within a reasonable time, and before the offer expires.

Proper mode: The acceptance must be made in the manner specified in the offer. If the offer specifies a particular mode of acceptance, such as by email or in writing, the acceptance must be made in that manner.

It is important to note that silence or inaction cannot be construed as acceptance. In addition, any attempt to change the terms of the offer in the acceptance will be considered a counteroffer, and the original offer will be terminated. Therefore, it is essential to ensure that the acceptance is valid and meets all the requirements for a binding contract to be formed.

Consideration and Essentials of Valid consideration:

Consideration is an essential element in the formation of a contract. It is the benefit or detriment that a party receives in exchange for their promise or performance. In other words, consideration is the value that each party brings to the contract.

Here are some key considerations and essentials of consideration:

Value: Consideration must have some value or benefit to the party receiving it. This can be money, goods, services, or anything else of value.

Mutuality: Both parties must provide consideration. The consideration given by one party must be the basis for the other party's promise or performance.

Adequacy: The law generally does not concern itself with the adequacy of consideration. That is, the consideration need not be equal in value to what is promised in return.

Legality: Consideration must be legal. Contracts that involve illegal activities, such as drug trafficking or prostitution, are not enforceable.

Existence: Consideration must exist at the time of contract formation. Past consideration is generally not valid consideration.

Intention: The parties must intend for the consideration to be exchanged for the promises or performances in the contract. If one party provides consideration without the expectation of receiving anything in return, it is considered a gift and not a contract.

Overall, consideration is an essential element of a contract because it shows that each party has given something of value and makes the contract legally enforceable.

Unit-IV: Sale of Goods Act 1930 and Consumer Protection Act 2019:

Contract of Sale:

A contract of sale is a legally binding agreement between a buyer and a seller that outlines the terms and conditions of a transaction in which the seller agrees to transfer ownership of goods or services to the buyer in exchange for payment.

The contract of sale typically includes information about the parties involved in the transaction, such as their names and contact information. It also specifies the details of the goods or services being sold, such as the quantity, quality, and price. Other terms and conditions that may be included in a contract of sale include the delivery method, payment terms, warranties, and any other relevant details that both parties need to agree on.

In general, a contract of sale serves to protect the interests of both the buyer and the seller by ensuring that each party understands the terms of the transaction and agrees to abide by them. In the event of a dispute, a contract of sale can be used as evidence in court to resolve the issue.

Sale and Agreement to Sell:

Sale and Agreement to Sell are two terms that are commonly used in business transactions. They refer to two different legal concepts, and it is important to understand the difference between them.

Sale refers to the transfer of ownership of goods from one party to another in exchange for money. It is a completed transaction where the ownership of the goods has been transferred from the seller to the buyer. In a sale, the buyer acquires the right to use and dispose of the goods as they see fit.

An Agreement to Sell, on the other hand, is a contract where the seller agrees to transfer ownership of the goods to the buyer at a future date, subject to certain conditions. An Agreement to Sell is not a completed transaction, and ownership of the goods remains with the seller until the conditions are met.

The key difference between a Sale and an Agreement to Sell is that in a Sale, ownership of the goods is immediately transferred to the buyer, whereas in an Agreement to Sell, ownership is transferred at a future date. An Agreement to Sell is often used in situations where the goods are not yet available or where certain conditions need to be met before the sale can be completed.

Implied Conditions and Warranties:

Implied conditions and warranties are terms that are implied into a contract by law or by the nature of the transaction. They are not expressly stated in the contract, but are instead implied to ensure fairness and reasonableness in the agreement.

Implied conditions are terms that are deemed to be so essential to the contract that they are implied by law without the need for the parties to expressly include them in the contract. For example, in a contract for the sale of goods, it is implied that the goods being sold are of satisfactory quality and fit for their intended purpose.

Implied warranties, on the other hand, are terms that are implied by the nature of the transaction or by custom and usage in the relevant industry. For example, in a contract for the sale of a car, it is implied that the car will be roadworthy and fit for use on the road.

Both implied conditions and warranties are important because they provide a level of protection to the parties involved in the contract. If a term is breached, the party who has suffered a loss may be able to claim damages or seek other remedies.

It is important to note that the exact terms and extent of implied conditions and warranties can vary depending on the jurisdiction and the specific contract in question. It is always advisable to seek legal advice if there is any uncertainty about the implied terms of a contract.

Rights of Unpaid Seller:

An unpaid vendor is someone who has provided goods or services to a customer but has not received payment for those goods or services. In such a situation, the unpaid vendor may have certain rights depending on the circumstances.

Here are some potential rights of an unpaid vendor:

Right to place a lien on property: In some jurisdictions, an unpaid vendor may have the right to place a lien on the property that was the subject of the transaction. This means that the vendor can legally claim an interest in the property until the debt is paid.

Right to pursue legal action: If the debt remains unpaid, the unpaid vendor may have the right to pursue legal action against the customer. This may involve filing a lawsuit to recover the debt or seeking mediation or arbitration to resolve the dispute.

Right to stop further work or deliveries: In some cases, an unpaid vendor may have the right to stop providing further goods or services to the customer until payment is made. However, this right may be subject to certain contractual or legal limitations.

Right to charge interest: Depending on the terms of the agreement between the vendor and customer, the vendor may have the right to charge interest on the unpaid debt.

Right to seek collection services: If the debt remains unpaid, the unpaid vendor may have the right to seek the assistance of a collection agency to recover the debt on their behalf.

It's important to note that the specific rights of an unpaid vendor may vary depending on the applicable laws and the terms of the agreement between the vendor and customer. If you are an unpaid vendor, you should seek legal advice to understand your rights and options for recovering the debt.

Introduction

Consumer protection is the practice of safeguarding buyers of goods and services against unfair practices in the market. It refers to the steps adopted for the protection of consumers from corrupt and unscrupulous malpractices by the sellers, manufacturers, service providers, etc. and to provide remedies in case their rights as a consumer have been violated.

History of Consumer Protection

“Consumer” constitutes the starting point of economic activities and its role has always been valued by the development of market and to work through constitutional right to the citizen. The quality of goods they purchased and only in case of gross negligence the seller was held liable. In 1950, there was revolution in European countries. The first consumer organization was born in Denmark in 1947 and in Great Britain in 1953. **In 1962 former USA President, John F.Kennedy for the first time recognized four basic consumer rights.**

In India Consumer Movement was facilitated and that is why erstwhile Consumer Protection Act, 1986 was legislated. Since the earlier Act was not enough to protect the interest of the consumers, the new Consumer Protection Act, 2019 took birth and it became enforceable on 20th July, 2020.

In India, the protection of the rights of the consumers is administered by the Consumer Protection Act, 2019. The Consumer Protection Act, 2019 was introduced to replace the Consumer Protection Act, 1986. The new Act contains various provisions which incorporate the challenges faced by modern and technology-dependent consumers. The Act also contains various provisions for the protection and promoting the rights of the consumers.

Meaning of the word 'consumer'

A consumer is an individual or group of individuals who purchase goods and services for their own personal use and not for the purpose of manufacturing or resale. Section 2(7) of the Consumer Protection Act, 2019 defines a consumer as any person who buys goods or services in exchange for consideration and utilises such goods and services for personal use and for the purpose of resale or commercial use. In the explanation of the definition of consumer, it has been distinctly stated that the term 'buys any goods' and 'hires or avails any services' also includes all online transactions conducted through electronic means or direct selling or teleshopping or multi-level marketing.

Need for the Consumer Protection Act, 2019

The Consumer Protection Act, 2019 was enacted by the Indian legislature to deal with matters relating to violation of consumer's rights, unfair trade practices, misleading advertisements, and all those circumstances which are prejudicial to the consumer's rights. The intention of the Parliament behind enacting the Act was to include provisions for e-consumers due to the development of technology, buying and selling of goods and services online have considerably increased during the last few years.

The Act seeks to provide better protection of the rights and interests of the consumers by establishing Consumer Protection Councils to settle disputes in case any dispute arises and to provide adequate compensation to the consumers in case their rights have been infringed. It further provides speedy and effective disposal of consumer complaints through alternate dispute resolution mechanisms. The Act also promotes consumer education in order to educate the consumer about their rights, responsibilities and also redressing their grievances.

Objective of the Consumer Protection Act, 2019

The main objective of the Act is to protect the interests of the consumers and to establish a stable and strong mechanism for the settlement of consumer disputes. The Act aims to:

1. Protect against the marketing of products that are hazardous to life and property.
2. Inform about the quality, potency, quantity, standard, purity, and price of goods to safeguard the consumers against unfair trade practices.
3. Establish Consumer Protection Councils for protecting the rights and interests of the consumers.
4. Assure, wherever possible, access to an authority of goods at competitive prices.
5. Seek redressal against unfair trade practices or unscrupulous exploitation of consumers.
6. Protect the consumers by appointing authorities for timely and sufficient administration and settlement of consumers' disputes.
7. Lay down the penalties for offences committed under the Act.
8. Hear and ensure that consumers' welfare will receive due consideration at appropriate forums in case any problem or dispute arises.
9. Provide consumer education, so that the consumers are able to be aware of their rights.
10. Provide speedy and effective disposal of consumer complaints through alternate dispute resolution mechanisms.

Consumer rights under Consumer Protection Act, 2019

There exist six rights of a consumer under the Consumer Protection Act, 2019. The rights of the consumers are mentioned under Section 2(9) of the Act, which are as follows:

1. The right of a consumer to be protected from the marketing of goods and services that are hazardous and detrimental to life and property.
2. The right of a consumer to be protected against unfair trade practices by being aware of the quality, quantity, potency, purity, standard and price of goods, products or services.
3. The right of a consumer to have access to a variety of goods, services and products at competitive prices.

4. The right to seek redressal at respective forums against unfair and restrictive trade practices.
5. The right to receive adequate compensation or consideration from respective consumer forums in case they have been wronged by the seller.
6. The right to receive consumer education.

Unfair trade practices under Consumer Protection Act, 2019

Section 2(7) of the Consumer Protection Act, 2019 defines the term 'unfair trade practices' which include:

1. Manufacturing spurious goods or providing defective services.
2. Not issuing cash memos or bills for the goods purchased or services rendered.
3. Refusing to take back or withdraw the goods or services and not refunding the consideration taken for the purchase of the goods or services.
4. Disclosing the personal information of the consumer.

Changes incorporated in Consumer Protection Act, 2019

The changes that were incorporated with the enactment of the Consumer Protection Act, 2019 are:

1. The District Commissions will have the jurisdiction to entertain complaints where the value of the goods, services or products paid as consideration to the seller does not exceed 50 lakh rupees.
2. State Commissions will have the jurisdiction to entertain complaints where the value of the goods, services or products paid as consideration to the seller exceeds 50 lakh rupees but does not exceed two crore rupees.
3. The National Commission will have the jurisdiction to entertain complaints where the value of the goods, services or products paid as consideration to the seller exceeds two crore rupees.
4. The Act further states that every complaint concerning consumer dispute shall be disposed of as expeditiously as possible. A complaint filed under this Act shall be decided within the period of three months from the date of receipt of notice by the opposite party in the cases the complaint does not require analysis or testing of the goods and services and within a period of 5 months, if it requires analysis or testing of the goods and services.
5. The Consumer Protection Act, 2019 also facilitates the consumers to file complaints online. In this regard, the Central Government has set up the E-Daakhil Portal, which provides a convenient, speedy and inexpensive facility to the consumers all over

India so that they are able to approach the relevant consumer forums in case of any dispute arises.

6. The Act lays down the scope for e-commerce and direct selling.
7. The Consumer Protection Act, 2019 lays down provisions for mediation and alternative dispute resolution so that the parties are able to dispose of the case conveniently without going through the trouble of litigation.
8. The Consumer Protection Act, 2019 contains provisions for product liability, unfair contracts and it also includes three new unfair trade practices. In contrast, the old Act just stated six types of unfair trade practices.
9. The Act of 2019 acts as the advisory body for the promotion and protection of consumer rights.
10. Under the Consumer Protection Act, 2019 there is no scope for selection committees, the Act authorises the Central Government to appoint the members.

Therefore, with the changes in the digital era, the Indian Parliament enacted and brought the Consumer Protection Act, 2019 in force to include the provisions for e-commerce as digitalization has facilitated convenient payment mechanisms, variety of choices, improved services, etc.

Essential provisions of Consumer Protection Act, 2019

The essential provisions of the Consumer Protection Act, 2019 are:

Consumer Protection Councils

The Act establishes consumer protection councils to protect the rights of the consumers at both the national and state levels.

Central Consumer Protection Council

Under Chapter 2 Section 3 of the Consumer Protection Act, 2019 the Central Government shall establish the Central Consumer Protection Council which is known as the Central Council. It is an advisory body and the Central Council must consist of the following members;

1. The Minister-in-charge of the Department of Consumer Affairs in the Central Government will be appointed as the chairperson of the council, and
2. Any number of official or non-official members representing necessary interests under the Act.

The Central Council may meet as and when necessary, however, they must hold at least one meeting every year. The purpose of the Central Council is to protect and promote the interests of the consumers under the Act.

State Consumer Protection Councils

Every state government shall establish a State Consumer Protection Council known as the State Council having jurisdiction over that particular state. The State Council acts as an advisory body. The members of the State Council are:

1. The Minister-in-charge of the Consumer Affairs in the State Government will be appointed as the chairperson of the council,
2. Any number of official or non-official members representing necessary interests under the Act, and
3. The Central Government may also appoint not less than ten members for the purposes of this Act.

The State Councils must hold at least two meetings every year.

District Consumer Protection Council

Under Section 8 of the Act, the state government shall establish a District Consumer Protection Council for every district known as the District Council. The members of the District Council are:

1. The collector of that district will be appointed as the Chairperson of the District Council, and
2. Any other members representing necessary interests under the Act.

Central Consumer Protection Authority

The Central Government shall establish a Central Consumer Protection Authority which is known as the Central Authority under Section 10 of the Consumer Protection Act, 2019, to regulate matters relating to violation of the rights of consumers, unfair trade practices and false or misleading advertisements which are prejudicial to the interests of the public and consumers and to promote, protect and enforce the rights of consumers. The Central Government will appoint the Chief Commissioner and the other Commissioners of the Central Authority as required under the Act.

The Central Authority must have an 'Investigative Wing' under Section 15 of the Act to conduct an inquiry or investigation. The investigative wing must comprise of the Director-General and the required number of Additional Director-General, Director, Joint Director, Deputy Director and Assistant Director possessing the required experience and qualifications to carry out the functions under this Act.

Functions and duties of the Central Authority

The functions and responsibilities of the Central Authority are laid down in Section 18 of the Act which includes;

1. To protect and promote the rights of the consumers as a class and to prevent violation of consumer rights,
2. To prevent unfair trade practices,
3. To ensure no false or misleading advertisements regarding any goods or services are promoted,
4. To ensure no person takes part in false or misleading advertisements,
5. Inquire or investigate in cases of violation of consumer rights or unfair trade practices.
6. File complaints before the National, State or District Commission as the case may be,
7. To review matters relating to the factors hindering the enjoyment of consumer rights.
8. To recommend the adoption of international covenants and best international practices concerning consumer rights
9. Promote research and awareness of consumer rights.
10. Lay down necessary guidelines to prevent unfair trade practices and protect the interests of the consumers.

Furthermore, the Central Authority also has the power to investigate after receiving any complaint or directions from the Central Government or of its own motion in cases where there is an infringement of consumer rights or unfair trade practices are carried out. And if the Central Authority is satisfied that infringement of consumer rights or unfair trade practices has occurred then it may:

- Recall the goods or services which are hazardous and detrimental to the consumers,
- Reimburse the prices of the goods and services to the consumers, and
- Discontinue the practices that are prejudicial and harmful to the consumers.

Under Section 21 of the Act, the Central Authority is authorised to issue directions to false and misleading advertisements which may extend to ten lakh rupees. While determining the penalty of the offence the Central Authority must keep in mind factors such as; the population affected by the offence, frequency of the offence and gross revenue from the sales of such product. The Central Authority can also direct search and seizure for the purposes of this Act and in that case the provisions of the Criminal Procedure Code ,1973 will apply.

Consumer disputes redressal commission

The state government shall establish a District Consumer Disputes Redressal Commission, known as the District Commission in each district of the state under the Consumer Protection Act, 2019. The District Commission shall comprise of a President and not less than two members prescribed by the Central Government.

Section 34 of the Act authorises the District Commission to entertain complaints where the value of the goods or services paid as consideration does not exceed one crore rupees. The complaint relating to goods and services can be filed to the District Commission by the consumer, recognized consumer association, Central Government, Central Authority, State Government, etc.

Section 36 states that all the proceedings before the District Commission shall be conducted by the President and at least one member of the commission.

Mediation

Chapter 5 Section 74 of the Consumer Protection Act, 2019 states that a Consumer Mediation Cell shall be established by the Central Government at the national level and every state government shall establish Consumer Mediation Cell exercising within the jurisdiction of that state. The mediator nominated to carry out the mediation shall conduct it within such time and in such manner as may be specified by regulations.

Section 75 of the Act talks about the empanelment of the mediators. It states the qualifications, terms and conditions of service, the procedure for appointing, and the fee payable to the empanelled mediators.

It is the duty of the mediator to disclose certain facts such as; any personal, financial or professional in the result of the consumer dispute, the circumstances giving rise to their independence or impartiality and any other necessary information for the protection of consumer rights.

Product liability

Under Section 83 of the Act, a product liability action may be brought by a complainant against a product manufacturer, product service provider or product seller.

Liability of product manufacturer

A product manufacturer will be held liable in a product liability action under the following circumstances:

- The product contains manufacturing defects.
- The product is defective.
- There is a deviation from manufacturing specifications.
- The product does not conform to the express warranty.
- The product fails to contain adequate information for proper usage.

Liability of product service provider

A product service provider will be held liable in a product liability action under the following circumstances:

- The service provider will be responsible when the service provided by them is faulty or imperfect.
- There was an act of negligence on their part.
- The service provider failed to issue adequate instructions and warnings for the services.
- The service provider failed to conform to the express warranty or terms and conditions of the contract.

Liability of product seller

A product seller will be held liable in a product liability action under the following circumstances:

- They altered or modified the product which resulted in being detrimental to the consumer.
- They failed to exercise reasonable care in assembling, inspecting or maintaining such product

- They exercised substantial control over the product which resulted in causing harm to the consumer.

Exceptions to product liability

There are certain exceptions to product liability action mentioned in Section 87 of the Act, such as;

- The product was altered, modified or misused by the consumer,
- A consumer cannot bring product liability action when the manufacturer has given adequate warnings and instructions for the use of the product,
- The manufacturer would not be liable in case of a product liability action for not warning about any danger that is commonly known to the general public.

Offences and penalties under Consumer Protection Act, 2019

The offences and penalties listed under this Act are mentioned as follows.

1. **Punishment for false and misleading advertisements:** Under Section 89 of the Act any manufacturer or service provider who promotes false or misleading advertisements will be punished with imprisonment for a term that may extend to two years and with fine that may extend to ten lakh rupees.
2. **Punishment for manufacturing, selling, distributing products containing adulterants:** Under Section 90 of the Consumer Protection Act, 2019 any person who sells, manufactures, distributes products containing adulterants shall be penalised in case of the following circumstances;

- If the adulterated product does not cause any injury to the consumer then the term for imprisonment will extend to a period of six months and fine which may extend to one lakh rupees,
- If the product containing adulterant causes injury not amounting to grievous hurt then the term for imprisonment will extend to a period of one year and fine which may extend to three lakh rupees,
- If the product containing adulterant causes injury amounting to grievous hurt then the term for imprisonment will extend to a period of seven years and fine which may extend to five lakh rupees,
- If the product results in causing death to the consumer then the term for imprisonment will be for a period of seven years which may extend to life imprisonment and fine not less than ten lakh rupees.

3. **Punishment for manufacturing, selling, and distributing spurious products:** Section 91 states that any person who sells, manufactures, or distributes spurious products shall be punished for such acts.

How do consumers benefit from Consumer Protection Act, 2019

The Consumer Protection Act, 2019 is a significant piece of legislation brought as it is beneficial for the consumers. The Act widens the scope of protection regarding the rights and interests of consumers.

1. **Unfair contracts:** The Act introduced 'unfair contract' under section 2(46) of the Act, which includes contracts requiring excessive security deposits to be given by the consumer for the performance of contractual obligations. However, the inclusion of unfair contracts in the Act would enable the consumer to file complaints in such cases and would also keep the fraudulent businesses in check.
2. **Territorial jurisdiction:** The Act enables the consumers to file complaints where the complainant resides or personally works for gain thus it would benefit the consumers in seeking redressal for their grievances when their rights have been violated.
3. **False and misleading advertisements:** The Act defines the term 'false and misleading advertisements' and also lays down strict penalties for such acts or omissions.
4. **Product liability:** The term 'product liability' has been defined by this Act, which states that it is the duty of the product manufacturer, service provider or seller to compensate for any harm caused to a consumer by such defective product manufactured or service provided to the consumer.
5. **Mediation and alternative dispute resolution:** The Act enables the consumer to opt for mediation and alternative dispute resolution mechanisms for speedy and effective settlement of consumer disputes.
6. **E-filing of complaints:** The Act also facilitates e-filling of the complaints and seeking video conference hearings by the Commission. Thus, providing convenient means for the consumers to voice their grievances.

The basic aim of the Consumer Protection Act 2019 is to protect and promote the interest of consumers through inexpensive and quick redressal of their grievances. The Act is applicable in India and to all business types, whether they are traders or manufacturers or whether they are supplying goods or providing services (also including e-commerce firms).

Act. applies to both online and offline transactions through electronic means of teleshopping or direct selling, or multilevel marketing.

Proposed benefits of the New Act

- Definition of the consumer to include e-commerce
- Enhancement of pecuniary jurisdiction
- A complaint can be filed where the consumer is located and not the opposite party
- Penalties enhanced
- Alternate Dispute Resolution (Mediation)
- E-filing of complaints (Rules to be framed)

Consumer Protection Act, 2019 was passed on 9th August, 2019. It is a repealing statute, thereby repealing more than three decade old law of Consumer Protection Act, 1986.

Objectives of the New Act

- Establishment of the Central Consumer Protection Authority (CCPA)
- Product Liability Option
- Establishment of the Mediation Centre
- Introduce Filling by Video Conferencing
- The imposition of higher penalties.
- E-commerce included within the ambit of Consumer Protection.

Basis	**Consumer Protection Act.1986**	**Consumer Protection Act.2019**
MRP/Purchase Price	Under this Act, MRP was a criterion for deciding the jurisdiction.	Under this Act, the discounted price or actual purchase price is used to decide jurisdiction.
E-Commerce	Under this Act, there was no mention of E-Commerce.	Under this Act, every provision applicable to the direct seller is also applicable to the E-Commerce seller.
Mediation	No such provision was there under this Act.	Under this Act, the court can refer to a settlement through mediation.
Unfair Terms and Conditions	No such provision was there under this Act.	Under this Act, the State Commission and the National Commission have the power to

		declare a contract null and void if it is unfair.
Authority	Under this Act, there were three authorities; viz., District Forum, State Commission, and National Commission.	Under this Act, there are three authorities; viz., District Commission, State Commission, and National Consumer Dispute Redressal Commission.
Composition of State Commission	Under Consumer Protection Act 1986, the State Commission was composed of one president and two other members.	Under Consumer Protection Act 2019, the State Commission is composed of one president and four other members.

Comparative Analysis: Consumer protection act, 1986 (Old act) v. Consumer protection act, 2019 (New act)

KEY POINTS	**OLD ACT**	**NEW ACT**
PECUNIARY JURISDICTION	District forum (up to 20 lacs) State commission (from 20 lacs to 1 crore)National commission (from 1 crore and above)	District forum (up to 1 crore)State commission (from 1 crore to 10 crore)National commission (from 10 crore and above)
MRP/PURCHASE PRICE	Earlier MRP was a criteria to decide pecuniary jurisdiction	Now discounted price/ actual purchase price is criteria
TERRITORIAL JURISDICTION	Where seller has office	Where complainant resides or works
REGULATOR	No such provision	Central Consumer protection authority to be formed

MEDIATION	No such provision	Court can refer for settlement through mediation (Section 80)
APPEAL	Earlier 30 days period for appeal against the order of District forum (Section 15)Earlier 50% or 25,000 whichever is less is to be deposited	Now it is 45 days (Section 41)Now 50% of award amount
E-COMMERCE	Earlier no specific mention	Now all provision applicable to direct seller has been extended to e-commerce
REVIEW	Earlier DCF did not have the power to review	Now DCF has power to review
UNFAIR TERMS AND CONDITIONS	No such provision	Section 49(2) and 59(2) of the new act gives power to the State Commission and NCDRC respectively to declare any terms of contract, which is unfair to any consumer, to be null and void
AUTHORITY	District consumer forum State consumer forum National Consumer Dispute Redressal Commission	District commission State commission National Consumer Dispute Redressal Commission
COMPOSITION OF STATE COMMISSION	President and 2 other members	President and 4 other members

Unit-V: Cyber Law:

Overview and Need for Cyber Law:

Cyber law, also known as cybercrime law, is a branch of law that deals with the legal issues related to the use of the internet, computers, and other digital technologies. With the rapid growth of the internet and the increasing reliance on technology in our daily lives, cyber law has become a crucial area of law in the 21st century.

The need for cyber law arises due to the following reasons:

Cybercrime: The internet has created new opportunities for criminal activities such as hacking, identity theft, cyberbullying, and cyberstalking. Cyber law helps to prevent and prosecute these types of crimes.

Data Protection: With the increase in online transactions, there is a need to protect personal data and privacy. Cyber law provides legal protection for personal data and regulates how businesses collect, use, and share data.

Intellectual Property: The internet has made it easier to infringe on intellectual property rights such as copyright, trademark, and patents. Cyber law provides legal protection for intellectual property and regulates online content.

E-commerce: The internet has transformed the way businesses operate, with e-commerce becoming increasingly popular. Cyber law regulates online transactions and protects consumers from fraud and unfair business practices.

National Security: Cyberattacks on critical infrastructure, government systems, and military networks are a growing concern. Cyber law provides legal frameworks to address national security issues related to cyber threats.

Contract Procedures:

Contract procedures refer to the steps and processes involved in creating, negotiating, executing, and managing contracts. These procedures are essential to ensure that contracts are legally binding, clear, and enforceable.

Here are the general steps involved in contract procedures:

Planning: This involves determining the purpose, scope, and requirements of the contract.

Negotiation: This involves discussions between the parties to reach agreement on the terms of the contract. Negotiations may involve multiple rounds and revisions to reach a final agreement.

Drafting: The terms agreed upon during negotiations are put into writing in a contract. The contract should be clear, concise, and free of ambiguity.

Review: The contract should be reviewed by both parties to ensure that it accurately reflects their agreement and that there are no errors or omissions.

Approval: Once both parties have reviewed and approved the contract, it is signed and becomes legally binding.

Implementation: The parties to the contract must carry out their obligations under the contract as agreed upon.

Monitoring and Evaluation: The contract should be monitored and evaluated to ensure that both parties are fulfilling their obligations and that any issues or disputes are addressed promptly.

Renewal or Termination: At the end of the contract term, the parties may choose to renew the contract or terminate it. Termination may be due to completion of the project, breach of contract, or other reasons.

It is important to follow these contract procedures to ensure that contracts are legally binding and enforceable. Failure to follow proper procedures can result in disputes, legal challenges, and financial losses.

Digital Signature:

A digital signature is a cryptographic technique used to verify the authenticity and integrity of a digital document or message. It is a mathematical scheme for demonstrating the authenticity of a digital message or document.

In the context of digital signatures, the signer uses a private key to generate a unique digital signature for a document or message, and the recipient uses the signer's public key to verify the signature. The digital signature includes information about the document or message that has been signed and a unique digital code that can be used to verify the authenticity and integrity of the signed document.

Digital signatures are used to ensure the authenticity and integrity of important documents and messages, such as contracts, financial transactions, and legal agreements. They provide a way to prove that a document or message was created by a specific person or organization and that it has not been altered or tampered with since it was signed. Digital signatures are widely used in e-commerce, online banking, and other digital transactions where security and trust are essential.

Safety Mechanisms:

A digital signature is a mathematical scheme used to verify the authenticity and integrity of digital documents or messages. It ensures that the message or document has not been tampered with or altered during transmission and that it has been sent by the intended sender.

There are several safety mechanisms associated with digital signatures:

Authentication: Digital signatures provide authentication of the sender's identity. It ensures that the sender is who they claim to be and that the message has not been sent by an imposter.

Integrity: Digital signatures ensure the integrity of the message. It ensures that the message has not been tampered with or altered during transmission.

Non-repudiation: Digital signatures provide non-repudiation, meaning that the sender cannot deny having sent the message. This is because the digital signature is uniquely tied to the sender and cannot be forged.

Key Management: Digital signatures rely on public-key cryptography, which requires the use of a public key and a private key. The private key should be kept secure by the sender, while the public key can be shared with others. Key management ensures that the private key is kept safe and that the public key is distributed to the appropriate parties.

Hashing: Digital signatures use hashing algorithms to generate a unique message digest or hash value for the document or message being signed. This hash value is then encrypted using the sender's private key, and the resulting digital signature is attached to the message. The recipient can then verify the digital signature by decrypting it using the sender's public key and comparing the resulting hash value with a newly calculated hash value of the received message.

TEACHING SYNOPSIS

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	MALYALA JAGADEESH
Course/Group	II B.Com
Paper	CORPORATE ACCOUNTING
Name of the Topic	Accounting for Share Capital
Hours Required	10 Hours
Learning Objectives	• To Understand types of share capital • Issue of Shares • Forfeiture of shares • Re-issue of Forfeited shares
Previous Knowledge to be reminded	Knowledge of Ist year B.Com., Financing for Business firms.
Topic Synopsis	
Examples / Illustrations	Text Book Examples and Illustration
Additional inputs	Recent IPOs
Teaching Aids used	Block Board, PPTs Presentation, ICT Class for major companies Financial Statements
References cited	
Student Activity Planned after the teaching	Student Seminar, Debate, Group Discussion
Activity planned outside the Class room ,if any	Student Assignments
Any other activity	

Accounting for Share capital:

Share capital means the capital of a company divided into "shares". These shares are of a fixed amount and are generally in multiples of 5 or 10. So share capital is basically the contributions made by all the shareholders of a firm. Since a capital account cannot be opened for every single shareholder, we club this amount in the share capital account.

Types of Shares:

Equity Shares : According to Section 43 of The Companies Act, 2013, an equity share is a share which is not a preference share. In other words, shares which do not enjoy any preferential right in the payment of dividend or repayment of capital, are termed as equity/ordinary shares. The equity shareholders are entitled to share the distributable profits of the company after satisfying the dividend rights of the preference share holders. The dividend on equity shares is not fixed and it may vary from year to year depending upon the amount of profits available for distribution. The equity share capital may be (i) with voting rights; or (ii) with differential rights as to voting, dividend or otherwise in accordance with such rules and subject to such conditions as may be prescribed in the Articles of Association of the company.

Preference Shares: According to Section 43 of The Companies Act, 2013, a preference share is one, which fulfils the following conditions : (a) That it carries a preferential right to dividend to be paid either as a fixed amount payable to preference shareholders or an amount calculated by a fixed rate of the nominal value of each share before any dividend is paid to the equity shareholders. (b) That with respect to capital it carries or will carry, on the winding up of the company, the preferential right to the repayment of capital before anything is paid to equity shareholders. However, notwithstanding the above two conditions, a holder of the preference share may have a right to participate fully or to a limited extent in the surpluses of the company as specified in the Memorandum or Articles of the company. Thus, the preference shares can be participating and nonparticipating. Similarly, these shares can be cumulative or non-cumulative, and redeemable or irredeemable.

Types of Preference Shares:

Convertible Preference Shares

Convertible preference shares are those shares that can be easily converted into equity shares.

Non-Convertible Preference Shares

Non-Convertible preference shares are those shares that cannot be converted into equity shares.

Redeemable Preference Shares

Redeemable preference shares are those shares that can be repurchased or redeemed by the issuing company at a fixed rate and date. These types of shares help the company by providing a cushion during times of inflation.

Non-Redeemable Preference Shares

Non-redeemable preference shares are those shares that cannot be redeemed or repurchased by the issuing company at a fixed date. Non-redeemable preference shares help companies by acting as a lifesaver during times of inflation.

Participating Preference Shares

Participating preference shares help shareholders demand a part in the company's surplus profit at the time of the company's liquidation after the dividends have been paid to other shareholders. However, these shareholders receive fixed dividends and get part of the surplus profit of the company along with equity shareholders.

Non-Participating Preference Shares

These shares do not benefit the shareholders the additional option of earning dividends from the surplus profits earned by the company, but they receive fixed dividends offered by the company.

Cumulative Preference Shares

Cumulative preference shares are those type of shares that gives shareholders the right to enjoy cumulative dividend pay out by the company even if they are not making any profit. These dividends will be counted as arrears in years when the company is not earning profit and will be paid on a cumulative basis the next year when the business generates profits.

Non - Cumulative Preference Shares

Non - Cumulative Preference Shares do not collect dividends in the form of arrears. In the case of these types of shares, the dividend pay out takes place from the profits made by the company in t So if a company does not make any profit in a single year, then the shareholders will not receive any dividends for that year. Also, they cannot claim dividends in any future profit or year.

Kinds of Share Capital:

1] Authorized Share Capital

Also known as Nominal or Registered Share Capital. It is the sum of money stated in the Memorandum of Association as the share capital of the company. It is the maximum amount of capital the company can raise by issuing shares.

2] Issued Capital

This is the portion of the nominal capital which the company has issued for a subscription. This amount of capital is either less than or equal to the nominal capital, it can never be more.

3] Subscribed Capital

This is the part of the issued capital that has been subscribed by the shareholders. It's not necessary that the whole of the issued capital will receive subscriptions, but at least 90% of issued capital should be subscribed generally.

4] Called-up Capital

The company may not always call up the full amount of the nominal value of shares. The amount of the subscribed capital called up from the shareholders is the called up capital, which is less or equal to the subscribed capital.

5] Paid-up Capital

This is the amount paid for the shares subscribed. If the shareholder does not pay on call, it will fall under "calls of arrears". When all shareholders pay their full amounts paid up capital and subscribed capital will be equal.

6] Reserve Capital

A company may reserve a portion of its uncalled capital to be called only in the event of winding up of the company. Such uncalled amount is called 'Reserve Capital' of the company. It is available only for the creditors on winding up of the company.

Issue of Shares:

A salient characteristic of the capital of a company is that the amount on its shares can be gradually collected in easy instalments spread over a period of time depending upon its growing financial requirement. The first instalment is collected along with application and is thus, known as application money, the second on allotment (termed as allotment money), and the remaining instalments are termed as first call, second call and so on. The word final is suffixed to the last instalment. However, this in no way which prevents a company from calling the full amount on shares right at the time of application.

Shares are to be issued at par:

Shares are to be issued at par when their issue price is exactly equal to their nominal value according to the terms and conditions of issue it is called issue of shares at par when a share of the nominal value of Rs. 100 is issued at Rs. 100, it is said to have been issued at a par.

Issue of Shares at a Premium:

It is quite common for the shares of financially strong and well-managed companies to be issued at a premium, i.e. at an amount more than the nominal or par value of shares. Thus, when a share of the nominal value of Rs. 100 is issued at Rs. 105, it is said to have been issued at a premium of 5 per cent. When the issue of shares is at a premium, the amount of premium may technically be called at any stage of the issue of shares. However, premium is generally called with the amount due on allotment, sometimes with the application money and rarely with the call money. The premium amount is credited to a separate account called 'Securities Premium Account' and is shown under the title 'Equity and Liabilities' of the company's balance sheet under the head 'Reserves and Surpluses'.

It can be used only for the following five purposes:

(1) to issue fully paid bonus shares to the extent not exceeding unissued share capital of the company;
(2) to write-off preliminary expenses of the company;

(3) to write-off the expenses of, or commission paid, or discount allowed on any securities of the company; and

(4) to pay premium on the redemption of preference shares or debentures of the company.

(5) Purchase of its own shares (i.e., buy back of shares).

Issue of Shares at a Discount :

There are instances when the shares of a company are issued at a discount, i.e. at an amount less than the nominal or par value of shares, the difference between the nominal value and issue price representing discount on the issue of shares. For example, when a share of the nominal value of Rs. 100 is issued at Rs. 98, it is said to have been issued at a discount of two per cent. As a general rule, a company cannot ordinarily issue shares at a discount. It can do so only in cases such as 'reissue of forfeited shares' (to be discussed later) and issue of sweat equity shares.

Over Subscription: There are instances when applications for more shares of a company are received than the number offered to the public for subscription. This usually happens in respect of shares issue of well-managed and financially strong companies and is said to be a case of 'Over Subscription'. In such a condition, three alternatives are available to the directors to deal with the situation: (1) they can accept some applications in full and totally reject the others; (2) they can make a pro-rata allotment to all; and (3) they can adopt a combination of the above two alternatives which happens to be the most common course adopted in practice. The problem of over subscription is resolved with the allotment of shares.

Therefore, from the accounting point of view, it is better to place the situation of over subscription within the total frame of application and allotment, i.e. receipt of application amount, amount due on allotment and its receipt from the shareholders, and the same has been observed in the pattern of entries. First Alternative : When the directors decide to fully accept some applications and totally reject the others, the application money received on rejected applications is fully refunded. For example, a company invited applications for 20,000 shares and received the applications for 25,000 shares. The directors rejected the applications for 5,000 shares which are in excess of the required number and refunded their application money in full.

Calls in Arrears: It may happen that shareholders do not pay the call amount on due date. When any shareholder fails to pay the amount due on allotment or on any of the calls, such amount is known as 'Calls in Arrears'/'Unpaid Calls'. Calls in Arrears represent the debit balance of all the calls account. Such amount shall appear as 'Note to Accounts.

Calls in Advance:

Sometimes shareholders pay a part or the whole of the amount of the calls not yet made. The amount so received from the shareholders is known as "Calls in Advance". The amount received in advance is a liability of the company and should be credited to 'Call in Advance Account." The amount received will be adjusted towards the payment of calls as and when they becomes due. Table F of the Companies Act provides for the payment of interest on calls in advance at a rate not exceeding 12% per annum.

Forfeiture of Shares:

It may happen that some shareholders fail to pay one or more instalments, viz. allotment money and/or call money. In such circumstances, the company can forfeit their shares, i.e. cancel their allotment and treat the amount already received thereon as forfeited to the company within the framework of the provisions in its articles. These provisions are usually based on Table F which authorize the directors to forfeit the shares for non-payment of calls made. For this purpose, they have to strictly follow the procedure laid down in this regard. Following is the accounting treatment of shares issued at par, premium or at a discount. When shares are forfeited all entries relating to the shares forfeited except those relating to premium, already recorded in the accounting records must be reversed. Accordingly, share capital account is debited with the amount called-up in respect of shares are forfeited and crediting the respective unpaid calls accounts's or calls in arrears account with the amount already received.

Reissue of Forfeited Shares :

The directors can either cancel or re-issue the forfeited shares. In most cases, they reissue such shares which may be at par, at premium or at a discount. Forfeited shares may be reissued as fully paid at a par, premium, discount. In this context, it may be noted that the amount of discount allowed cannot exceed the amount that had been received on forfeited shares at the time of initial issue, and that the discount allowed on reissue of forfeited shares should be debited to the 'Forfeited Share Account'. The balance, if any, left in the Share-Forfeited Account relating to reissued Shares, should be treated as capital profit and transferred to Capital Reserve Account.

Teaching Plan

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	MALYALA JAGADEESH
Course/Group	II B.Com
Paper	Corporate Accounting
Name of the Topic	Company Final Accounts
Hours Required	8
Learning Objectives	➢ Capacity of parties to enter into contract. ➢ Effects of minor's agreement. ➢ Person disqualified to enter into contract. ➢ Consideration and its rules. ➢ Valid contracts without consideration.
Previous Knowledge to be reminded	
Topic Synopsis	
Examples / Illustrations	Text Book Examples
Additional inputs	
Teaching Aids used	Green Board
References cited	Pc Tulsian
Student Activity Planned after the teaching	Student Seminar
Activity planned outside the Class room ,if any	Class Room Assignment
Any other activity	

- Final accounts of a company consist of balance sheet as at the end of the accounting period, and profit and loss account for that period.
- Section 129 of the Companies Act, 2013 prescribes the form and contents of balance sheet, and profit and loss account of a company.
- Balance sheet of a company shall be prepared according to Schedule III of the Companies Act, 2013.
- The Schedule III sets out minimum requirements for disclosure on the face of the Balance Sheet, and the Statement of Profit and Loss (hereinafter referred to as "Financial Statements") and Notes.
- Statement of Profit & Loss of a company shall be prepared according to Part II of Schedule III of the Companies Act, 2013.
- Section 129(1) of the Companies Act 2013, states that the financial statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under section 133 and shall be in the form provided for different class or classes of companies in Schedule III.

- Share represents a singular unit into which the total share capital of a company is divided.
- Share capital includes majorly the following two types of shares under the Companies Act, 2013:

a. preference shares and
b. equity shares.

- An equity share is the one which is not a preference share. Equity shares are also known for their riskbearing. Preference shares are the shares that hold preferential rights as to the payment of dividend at a fixed rate; and the return of capital on winding up of the company.
- Shares may be issued for cash or for a consideration other than cash. When a company allots fully paid shares to promoters or to creditors or to any other party for the services rendered by them, it is known as issue of shares for consideration other than cash.
- Shares of a company may be issued at : a. Par – When shares are issued on a price equivalent to its face value. b. Premium – When shares are issued at a price higher than the face value. c. Discount – When shares are issued at a price lower than the face value.

- Restrictions on the usage of the Securities premium money received has been laid under section 52 (2) of Companies Act 2013
- When the number of shares applied for exceeds the number of shares issued, the shares are said to be oversubscribed. In such a case, some applications may be rejected; some applications are accepted in full; and allotment is made to the remaining applicants on pro-rata basis.
- Forfeiture of shares is considered as the compulsory termination of membership by way of penalty for non-payment of allotment and/or any call money.
- The forfeited shares may be reissued at: a. Par b. Premium c. Discount
- In case of reissue of forfeited shares at a premium, the entire amount standing to the credit of Shares Forfeited Account would be treated as net gain and transferred to Capital Reserve Account.
- In case the forfeited shares are reissued at a discount, the amount of discount can, in no case, exceed the amount credited to Shares Forfeited Account.
- As per Section 68, 69, 70 of the Companies Act, 2013, a company may purchase its own shares or other specified securities out of its free reserves and this is known as buy-back.
- A company is under a legal obligation to first offer the subsequent issue of shares to its existing equity shareholders. This right is called rights issue.
- Company may issue fully paid up bonus shares to its members, in any manner out of (i) its free reserves; (ii) the securities premium account; or (iii) the capital redemption reserve account.
- Sweat equity shares refers to equity shares given to the company's employees/ directors on favourable terms in recognition of their work at a discount or consideration other than cash.
- Underwriting is known as a guarantee given by the underwriters to the company that the shares or debentures offered to the public will be subscribed for in full. An underwriting agreement may be: a. Complete Underwriting b. Partial Underwriting. Firm Underwriting.

- When a company has substantial cash resources, it may like to buy its own shares from the market particularly when the prevailing rate of its shares in the market is much lower than the book value or what the company perceives to be its true value.

- As per Section 68, 69, 70 of the Companies Act, 2013 states that a company may purchase its own shares or other specified securities out of its free reserves, and the proceeds of any other shares or other specified securities.
- Buy-back is permissible: (a) from the existing security holders on a proportionate basis through the tender offer; or (b) from the open market.
- Regulation 10(1) of the Securities and Exchange Board of India provides that a company shall, as and by way of security for performance of its obligations on or before the opening of the offer of re- purchase, deposit in an escrow account such sum as is specified in 10(2).
- A company, other than a listed company, which is not required to comply with Securities and Exchange Board of India Employee Stock Option Scheme Guidelines shall not offer shares to its employees under a scheme of employees' stock option (hereinafter referred to as "Employees Stock Option Scheme")
- ESOP means a scheme under which the company grants option (a right but not an obligation) to an employee to apply for shares of the company at a predetermined price. This right is exercisable by the employee, during the specified period.
- Section 2(37) of the Companies Act, 2013 states that the "employee stock option" means the option given to the whole time director, officers or employees of a company which gives such directors, officers of employees the benefit or right to purchase or subscribe at a future date, the securities offered by the company at a predetermined price
- According to Section 43 of the Companies Act, 2013, Equity share capital may be Equity Share Capital
- with the voting right or Equity Share Capital with differential right as to dividend, voting or otherwise.
- Rule 4 of the Companies (Share Capital and Debentures) Rules 2014 deals with equity shares with differential rights.
- The company shall not convert its existing equity share capital with voting rights into equity share
- capital carrying differential voting rights and vice versa.
- The holders of the equity shares with differential rights shall enjoy all other rights, such as bonus shares, rights shares etc., which the holders of equity shares are entitled to, subject to the differential rights with which such shares have been issued

- Where a company issues equity shares with differential rights, the Register of Members maintained under section 88 shall contain all the relevant particulars of the shares so issued along with details of the shareholders.
- Underwriting is an undertaking or guarantee given by the underwriters to the company that the shares or debentures offered to the public will be subscribed for in full.
- An underwriting agreement may be: Complete Underwriting, Partial Underwriting and Firm Underwriting.
- Applications bearing the stamp of the respective underwriters are called marked applications and the applications received directly by the company which do not bear any stamp of the underwriters are known as unmarked applications.
- Debentures may be issued at par, or at a premium, or at a discount.
- Debentures may be issued by a company for cash, for consideration other than cash, and as collateral security.
- The issue of debentures to vendors is known as issue of debentures for consideration other than cash.
- The term 'Collateral Security' implies additional security given for a loan. When a company takes a loan from bank or insurance company, it may issue its own debentures to the lender as collateral security against the loan in addition to any other security that may be offered such an issue of debentures is known as "Debentures Issued as Collateral Security.
- A company may issue debentures on any specific condition as to its redemption, such as: issued at par and redeemable at par, issued at a discount redeemable at par, issued at a premium redeemable at par, issued at par redeemable at a premium, issued at discount, but redeemable at premium.
- When a company issues debentures it undertakes to pay interest thereon at a fixed percentage. The payment of interest on the debt is obligatory on the part of the company issuing them irrespective of the fact whether the company earns profit or not and the interest payable on debentures is a charge against the profits of the company.
- Discount on issue of debentures is a capital loss to the company and it is required to be shown on the assets side of the Balance Sheet under the heading "Other Current or Non-Current Asset" until it is written off.
- When a company issues debentures at par or at a discount which are redeemable at a premium, the premium payable on redemption of the debentures is treated as capital loss.

- Redemption of debentures refers to the discharge of the liability in respect of the debentures issued by a company. Debentures can be redeemed at any time either at par or at a premium or at a discount.
- Debentures may be redeemed by way of: annual drawings, payment in one lump sum at the expiry of a specified period or at the option of the company at a date within such specified period, purchase of debentures in the open market and conversion into shares.
- Interest on debentures is generally paid half-yearly to the holders on certain specified dates. If the purchase price for the debentures includes interest for the expired period, the quotation is said to be "Cum-interest", on the other hand, the purchase price for the debentures excludes the interest for the expired period, the quotation is said to be "Ex-interest".

- Financial Statements represent a formal record of the financial activities of an entity.
- Financial statements are reports prepared and issued by company management to give investors and creditors additional information about their company's performance and financial standings.
- The four general purpose financial statements include: Income Statement, Balance Sheet, Statement of Stockholders Equity, Statement of Cash flow.
- Financial statements are prepared by transferring the account balances on the adjusted trial balance to a set of financial statement templates.
- Both public and private companies issue at least 4 financial statements to attract new investors and raise funding for expansions.
- Financial statements that are issued for time periods smaller than one year are called interim statements.
- The annual financial statement form is prepared once a year and cover a 12-month period of financial performance.
- The listed entity shall submit a compliance certificate to the exchange duly signed by both that is by the compliance officer of the listed entity and the authorized representative of the share transfer agent, wherever applicable, within one month of the end of each half of the financial year.

- Depreciation may be defined as the gradual reduction in the value of an asset due to wear and tear as in the case of physical assets like building, machinery, etc., or by mere passing of time as in the case of lease, patent and copyright.

- If depreciation is not provided, the value of assets shown in Balance Sheet will not present the true and fair value of assets.

- Two methods to calculate depreciation: straight line method and written down value method.

- Provisions is to be made in respect of a liability which is certain to be incurred, but its accurate amount is not known.

- Reserves are the amount set aside out of profits. It is an appropriation of profits and not a charge on the profits.

- The managerial remuneration shall be payable to a person appointed within the meaning of section 196 of the Companies Act, 2013.

- In accordance with Section 135(5) of the Companies Act, 2013, the Board of each company covered under the CSR requirement needs to ensure that the company spends, in every fi year, at least 2% of its average net profi made during the three immediately preceding fi years in pursuance of CSR policy.

- Segment reporting is the reporting of the operating segments of a company in the disclosures accompanying its financial statements.

- Audit queries are questions asked by an auditor during an investigation. These may be used to gather information to come to a conclusion in the audit.

- Interpreting the financial health of a corporation requires an understanding of its financial statements.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	I B.Com I Sem
Paper	**Business Environment**
Name of the Topic	Unit-1 Overview of Business Environment
Hours Required	8 Hours
Learning Objectives	• *Understand the concept of business environment.* • *Define Internal and Externa elements affecting business environment.* • *Explain the economic trends and its effect on Government policies.* • *Critically examine the recent developments in economic and business policies.* • *Evaluate and judge the best business policies in Indian business environment.* • *Develop the new ideas for creating goods business environment.*
Previous Knowledge to be reminded	*No*
Topic Synopsis	• *Introduction to Business Environment* • *Meaning of Business Environment* • *Characteristics of Business Environment* • Scope of Business Environment • *Types of Business Environment* • Environment Analysis
Examples / Illustrations	*YouTube video*
Additional inputs	*Other business environment analysis*
Teaching Aids used	*PPT*
References cited	*Kalyani Himalaya publishing*
Student Activity Planned after the teaching	*Student Assignment*
Activity planned outside the Class room ,if	*Student Assignment*
Any other activity	Student Seminar

Unit – I

Introduction:

A business units' decisions and performance are influenced by a wide variety of factors, which are called Business Environment.

Business Environment refers to all the external forces which have a bearing on the functioning of business. The literary meaning of Business Environment means the surroundings, external objects influence etc., Business Environment is the aggregate of all conditions, events and influences that surrounds and affects a business unit. Business Environment poses certain threats to a business unit. Business Environment gives immense opportunities for market exploitation.

Definition:

According to **William F. Glucck and Lawrance R. Jauch**, " The Business Environment includes factors outside the firm, which can lead to opportunities for or threats to the firms.Although there are many factors, the most important of the factors are socio-economic,technological, suppliers, competitors, and government.

Meaning of business Environment:

The term business environment is composed of two words Business and Environment. In simple terms, the state in which a person remains busy is known as business. On the other hand, the word Environment refers to the aspects of Surroundings.

Business environment refers to all the external and internal factors that affect the operations, decision-making processes, and overall success of a business. The external factors include economic, social, political, technological, legal, and environmental conditions, while the internal factors include the company's culture, management structure, and resources.

Characteristics of business environment:

- Environment is inseparable part of business
- Environment is dynamic
- Business lacks control over environment
- Internal and external factors
- Environment is complex
- Environment is multifaceted
- Opportunities and obstacles
- Regulates the scope of business

Scope:

- Complex
- Dynamic
- Interdependence
- Uncertain
- Relativity
- System Approach
- Social Responsibility Approach

Types of Business of Environment:

The business environment refers to all the external and internal factors that affect a company's operations and performance. There are several types of business environment.

- Internal Environment
- External Environment

Internal Environment:

The internal environment of a business refers to the factors and conditions that exist within the organization, including its resources, structure, culture, and management practices.

These internal factors can include:

- Value system:
- Vision-mission-objectives:
- Management structure and nature:
- Internal power relationship:
- Human resources

External Environment:

The external environment refers to all the factors and conditions outside an organization that can potentially affect its operations, performance, and overall success.

- Micro Environment
- Macro Environment

Micro Environment:

The micro environment refers to the immediate environment that directly affects an organization or a business. It includes factors that are within the control of the organization and can be influenced or manipulated to some extent.

The following are the factors in micro environment.

- Suppliers:
- Customers:
- Competitors:
- Marketing intermediaries:
- Financiers:
- Publics:

➢ **Macro Environment:**

The macro environment refers to the external factors that affect an organization or industry, but which the organization has no control over.

Factors:

- Sociological and cultural environment:
- Technological environment:
- Economic environment:
- Politica environment l:
- Global environment:
- Demographic environment:
- Natural environment

Need of Business Environment:

- Effective Management:
- Innovation:
- Long-term planning:
- Effective Decision:
- Success and progress of business:
- Survival of Firm:
- Coordination with environment:
- Getting resources:

Objectives of Business Environment:

- Identify business opportunities:
- Improving performance:
- Basis of decisions:
- Survive in the business:
- Making of policies:
- Assistance in planning:

Importance of Business Environment:

- Successful conduct of business:
- Opening of new avenues:
- Dynamism in approach:
- Chances for growth:
- Control over environment:
- Understanding future problems and prospects:
- Making business socially acceptable

Environmental Analysis:

Business environment refers to all the external and internal factors that affect the operations, decision-making processes, and overall success of a business. The external factors include economic, social, political, technological, legal, and environmental conditions, while the internal factors include the company's culture, management structure, and resources.

Need / Importance of environment Analysis:

- Effective Utilization of Resources:
- Constant monitoring of the environment:
- Strategy formulation:
- Identification of threats and opportunities;
- Useful for the managers:

Factors of Environment Analysis:

- Events:
- Trends:
- Issues:
- Expectations of people:

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	I B.Com
Paper	**Business Environment**
Name of the Topic	Unit-2 Economic Environment
Hours Required	8 Hours
Learning Objectives	• *Understand the concept of business environment.* • *Define Internal and Externa elements affecting business environment.* • *Explain the economic trends and its effect on Government policies.* • *Critically examine the recent developments in economic and business policies.* • *Evaluate and judge the best business policies in Indian business environment.* • *Develop the new ideas for creating goods business environment.*
Previous Knowledge to be reminded	*Already learnt about Economic Environment*
Topic Synopsis	• *Economic Environment* • *Nature of the Economy* • *Structure of Economy* • *Economic Policies &Planning the Economic Condition* • *NITI Ayog* • *NDC* • *Five Year Plan*
Examples / Illustrations	*Economic Analysis*
Additional inputs	*Old GDP new GDP different*
Teaching Aids used	*Block Board, PPTs*
References cited	*Kalyani Himalaya publishing*
Student Activity Planned after the teaching	*Student Assignment*
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	Students Seminar

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Economic Environment:

The economic environment refers to the overall economic conditions in which businesses operate, including the level of economic activity, growth, inflation, unemployment, and other factors that affect the demand and supply of goods and services. The economic environment can be influenced by a variety of factors, such as government policies, international trade, financial markets, and technological advancements.

Economic environment

- Employment/unemployment.
- Income.
- Inflation.
- Interest rates.
- Tax rates.
- Currency exchange rate.
- Saving rates.
- Consumer confidence levels.

Elements of Economic Environment:

- Economic conditions:
- Economics system:
- Economics policies:
- International Economics Environment:
- Economic legislation;

Meaning of economy:

The economy refers to the system of production, distribution, and consumption of goods and services within a society or country. It encompasses all the activities and transactions involved in the production, trade, and consumption of goods and services, including factors such as resources, markets, industries, and governments.

Structure of Economy:

- Primary Sector:
- Secondary Sector:
- Tertiary Sector:

Economic Planning:

The economy refers to the system of production, distribution, and consumption of goods and services within a society or country. It encompasses all the activities and transactions involved in the production, trade, and consumption of goods and services, including factors such as resources, markets, industries, and governments.

- Promoting economic growth:
- Ensuring stability:
- Allocating resources:
- Reducing inequality:
- Promoting sustainability:

History of Economic Planning:

The history of economic planning can be traced back to the early 20th century, when the Soviet Union introduced a centrally planned economy based on state ownership of the means of production. This model was later adopted by other socialist countries, including China and Cuba.In Indian the first systematic attempt at economic planning was made in 1934, when M.Visvesvarya published book Planned Economy for Indian. In the 1950s and 1960s, economic planning became a key component of development strategies in many newly independent countries.

Features of Planning:

- Goal-orientation:
- Flexibility:
- Resource allocation:
- Risk management:
- Collaboration:
- Measurable outcomes:

Need of Planning:

- Goal achievement:
- Resource allocation:
- Risk management:
- Control:
- Coordination:

Types of Planning:

- Perspective Plans
- Five Year Plans
- Annual Plans
- Rolling Plans

Five-year plan:

- First Plan(1956-1956)
- Second Plan(1956-1961)
- Third Plan(1961-1966)
- Fourth Plan(1969-1974)
- Fifth Plan(1974-1978)
- Sixth Plan(1980-1985)
- Seven Plan(1985-1990)
- Eight Plan(1992-1997)
- Nineth Plan(1997-2002)
- Tenth Plan(2002-2007)
- Eleventh Plan(2007-2012)
- Twelfth Plan(2012-2017)

NITI AAYOG:

- To foster cooperative federalism by involving states in the policy-making process.
- To provide strategic and technical advice to the central and state governments on policy issues.
- To facilitate the implementation of policies and programs at the national and state levels.
- To promote innovation and entrepreneurship in various sectors of the economy.
- To monitor and evaluate the implementation of policies and programs.
- To provide a platform for knowledge-sharing and capacity-building among stakeholders.

The primary functions of Niti Aayog include:

1. Formulating strategic and long-term policies and programs for economic and social development of India.
2. Conducting research and analysis on various issues related to sustainable development, poverty reduction, and job creation.
3. Providing guidance and support to the state governments in policy formulation and implementation.
4. Monitoring and evaluating the implementation of various government programs and schemes.
5. Identifying and addressing the emerging challenges and opportunities in various sectors of the economy.

The main functions of an NDC may include:

- Policy Formulation: Resource Allocation: Monitoring and Evaluation:
- Planning and Coordination: International Cooperation:

Teaching Plan

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	I B.Com
Paper	**Business Environment**
Name of the Topic	Economic Policies -Unit-3
Hours Required	8 Hours
Learning Objectives	• *Understand the concept of business environment.* • *Define Internal and Externa elements affecting business environment.* • *Explain the economic trends and its effect on Government policies.* • *Critically examine the recent developments in economic and business policies.* • *Evaluate and judge the best business policies in Indian business environment.* • *Develop the new ideas for creating goods business environment.*
Previous Knowledge to be reminded	
Topic Synopsis	▪ *New Economic Policy* ▪ *Economic Reforms* ▪ *New Industrial policy* ▪ *Competition Law* ▪ *Fiscal Policy* ▪ *Monetary policy and RBI*
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	*Kalyani Himalaya publishing*
Student Activity Planned after the teaching	*Student Assignment*
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	Student Seminar

Introduction:

Economic Policy refers to the actions that governments take in the economic field. It covers the systems for setting levels of taxation, government budgets, the money supply and interest rates as well as the labor market National ownership and many other areas of government intervention into the economy Most factors of economic policy can be divided into either fiscal policy, which deals with government action regarding taxation and spending or monetary policy which deals with central banking actions regarding the money supply and interest rates.

Meaning of Economic Policy:

The New Economic Policy refers to various policy measures undertaken since July 1991 with a view to increase productivity and efficiency of the economy by creating an atmosphere of competition.

Definition of New Economic policy:

C. Rangarajan was a prominent economist who served as the Governor of the Reserve Bank of India from 1992 to 1997. He played a significant role in the formulation and implementation of India's New Economic Policy, which was launched in 1991.

The New Economic Policy, also known as the LPG (Liberalization, Privatization, and Globalization) policy, aimed to liberalize and modernize the Indian economy and make it more competitive globally

Factors of New Economic Policy:

- New Industrials Policy of 1991
- New Trade Policy (Globalization)
- New Fiscal Policy
- New Monetary Policy

Components of New Economic Policy:

- Liberalisation:
- Privatisation:
- Globalisation:

New Industrial Policy:

The Industrial Policy announced on July 24, 1991. Which precede the economic reforms in Indian has hugely expanded the scope of the private sector by opening most of the industries for the private sector and substantially dismantling the entry and growth restrictions. The extent and pattern of industrialisation in a country is highly influenced by its industrial policy. Before independence, the policy of British rulers was of Laissez-faire policy of non-interference and leaving all things to private enterprises. It was only after India attained independence in 1947 that an effort was made to begin the era of planned industrial development.

Meaning of Industrial Policy:

Industrial Policy is a comprehensive concept which covers all those procedures principles policies rules and regulations that control and shapes the pattern of industrialisation. It consists of fiscal policy monetary policy tariff policy and labour policy. It prescribes the role of the public private joint and co-operative sector for the development of industries.

Objectives of Industrial Policy:

- Achieving industrial development and economic growth
- Achieving a socialistic pattern of society.
- Reducing disparities in regional development.

- Developing heavy and capital good industry.
- Creating a favourable investment climate for the private sector.

Industrial Policy After Independence:

- Industrial Policy Resolution, 1948
- Industrial Policy Resolution, 1956
- Industrial Policy Resolution, 1977
- Industrial Policy Resolution, 1980
- New Industrial policy. 1991

New Industrial policy Features:

- De-Licensing
- Foreign Investment policy
- MRTP Act
- Public Sector policy
- Foreign Technology Agreements

Competition Law or Competition Act, 2002:

The Competition Act, enacted in December 2002, following the recommendation of the high-level committee headed by S.V.S Raghavan on competition policy and law is landmark legislation that aims at promoting competition through prohibition of anti-competition practices abuse of dominance and regulation of combinations beyond a certain size. With the coming into effect of the Competition Act 2002, the Monopolies and Restrictive Trade Practices (MRTP) Act 1969 was replaced and the monopolies and restrictive trade practices commission was dissolved.

Overall Scheme:

- Prohibition of anti-competitive agreements
- Prohibition of abuse of dominant position
- Regulation of combinations

Fiscal Policy:

The word fiscal is derived from the word fiscal which means treasury therefore fiscal policy deals with the matters of treasury or public finance. Fiscal policy is that part of government policy which is concerned with raising revenue through taxation and other means and deciding on the level and pattern of expenditure fiscal policy plus an important role in determining the stability of an economy because it affects the level of income and employment in a country.

Features of Fiscal Policy:

- Desirable price level
- Desirable level of consumption
- Desirable level of employment
- Desirable level of income distribution
- Economic Growth and development
- Equilibrium in the Balance of payments

There are two main types of fiscal policy:

- Expansionary Fiscal Policy:
- Contractionary Fiscal Policy:

Meaning of Monetary policy:

Monetary policy refers to the actions taken by a central bank, such as the Federal Reserve in the United States or the European Central Bank in the European Union, to control the supply and demand of money in an economy. The primary goal of monetary policy is to promote price stability and maintain full employment.

Monetary policy involves setting and adjusting interest rates, managing the money supply, and using various tools to influence financial markets and the broader economy.

There are two main types of monetary policy:

- Expansionary Monetary Policy:
- Contractionary Monetary Policy:

RBI:

RBI stands for Reserve Bank of India, which is the central bank of India. The Reserve Bank of India was established on April 1, 1935, in accordance with the Reserve Bank of India Act, 1934. The bank serves as the regulator of the banking sector in India and is responsible for maintaining financial stability in the country.

The primary functions of the Reserve Bank of India include regulating the money supply and credit in the economy, managing foreign exchange reserves, supervising and regulating the banking sector, and issuing and regulating the country's currency. The bank also acts as the banker to the government and manages the government's debt and securities. The Reserve Bank of India is governed by a central board of directors, headed by the governor of the bank.

Functions of the RBI are:

- Monetary Policy:
- Regulation and Supervision of Banks:
- Issuance and Management of Currency:
- Management of Foreign Exchange Reserves:
- Developmental Functions:
- Banker to the Government:

Features of the RBI are:

- Independent:
- Regulator of Banks:
- Monetary Policy Formulation:
- Management of Foreign Exchange Reserves:
- Developmental Functions:
- Banker to the Government:

Types of RBI:

- Reserve Bank of India:
- Risk-Based Inspection:
- Run Batted In:
- Reportable Business Items:
- Rate-Based Index:
- Risk-Based Capital:

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	I B.Com
Paper	**Business Environment**
Name of the Topic	Social, Political and Legal Environment -Unit-4
Hours Required	8 Hours
Learning Objectives	• *Understand the concept of business environment.* • *Define Internal and Externa elements affecting business environment.* • *Explain the economic trends and its effect on Government policies.* • *Critically examine the recent developments in economic and business policies.* • *Evaluate and judge the best business policies in Indian business environment.* • *Develop the new ideas for creating goods business environment.*
Previous Knowledge to be reminded	*NO*
Topic Synopsis	*1.Concept of Social Responsibly* *2.Demonetisation GST* *3.Political Stability* *4.Legal Changes*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	*Kalyani Himalaya publishing*
Student Activity Planned after the teaching	*Students seminar*
Any other activity	Students Assignment

Introduction to Social Environment:

The social environment refers to the various social and cultural factors that shape an individual's experience and impact their behavior and attitudes. It includes the people, institutions, and organizations with whom they interact, as well as the cultural values, beliefs, and norms that influence their behavior.

Meaning of Social Environment:

The social environment refers to the cultural, economic, and social conditions and circumstances that surround an individual or group of individuals. This includes the people, institutions, and organizations with whom they interact, as well as the cultural values, beliefs, and norms that shape their behavior and attitudes.

Definition of Social Environment:

The social environment refers to the set of cultural, economic, political, and social conditions and factors that shape the lives and interactions of individuals and communities. It includes the people, institutions, and systems that influence how we think, behave, and interact with others. The social environment can have a significant impact on a person's physical and mental health, as well as their opportunities for education, work, and social mobility. Examples of social environmental factors include social norms, values, beliefs, traditions, laws, policies, and economic systems.

Main elements of Social and its effect on Business:

- Family
- Educational Institution
- Religion

Features of Social environment:

- Social norms:
- Social institutions:
- Socioeconomic status:
- Socioeconomic status:
- Cultural diversity:
- Political Systems:

Types of social environment:

- Family Environment:
- Educational Environment:
- Work Environment
- Online Environment:
- Cultural Environment:
- Political Environment:

Concept of Social Responsibility of Business towards Stakeholders:

The concept of social responsibility of business towards stakeholders refers to the idea that businesses have a responsibility to consider the interests and well-being of all those who are impacted by their operations, including employees, customers, suppliers, shareholders, and the broader community.

A socially responsible business may:

- Provide fair wages and working conditions for employees
- Ensure the safety and quality of its products and services
- Respect the rights of its suppliers and partners
- Invest in environmentally sustainable practices
- Give back to the community through philanthropic initiatives or volunteer work

Impact Demonetisation GST:

Demonetization and GST (Goods and Services Tax) are two major economic policies implemented by the Indian government in recent years.

Demonetization was a move to eliminate black money and counterfeit currency from the economy by withdrawing the high denomination currency notes of Rs. 500 and Rs. 1000 from circulation. This move had both positive and negative impacts on the economy. On the positive side, it led to an increase in digital transactions, reduction in corruption, and an increase in tax compliance. On the negative side, it caused a temporary slowdown in economic activity, particularly in the informal sector, which relies heavily on cash transactions.

Demonetization and GST are two significant economic policy changes that were implemented in India in recent years. Both these policies have had a significant impact on the Indian economy.

1. **Demonetization:**

In November 2016, the Government of India announced the demonetization of the Rs. 500 and Rs. 1000 currency notes. The primary objective of this policy was to curb the flow of black money and counterfeit currency in the economy.

Impact:

- Short-term impact: Demonetization resulted in a cash crunch as people rushed to exchange their old currency notes for new ones. This had a significant impact on the informal sector, which primarily operates on cash transactions. Small businesses were particularly hard-hit, as they struggled to make ends meet without access to cash.
- Long-term impact: Demonetization had a positive impact on the formalization of the economy, as it encouraged people to move towards digital payments. It also helped the government identify people who were not paying taxes on their income.

Political Stability:

Political stability refers to the condition of a government or political system in which there is a consistent and predictable environment for political and economic activity. It involves the ability of a government to maintain its authority and legitimacy over a period of time, without facing major internal or external threats.

Features of Political Stability:

Political stability refers to a state or government's ability to maintain a relatively consistent and predictable political environment without significant disruptions, conflicts, or changes in leadership. Some key features of political stability include:

- Consistent Leadership
- Rule of Law:
- Institutional Robustness
- Consensus Building and Political Inclusiveness
- Economic Prosperity
- Social Cohesion:
- International Relations:

Characteristics of Political Stability:

- Consistency and Continuity:
- Legitimacy and Acceptance
- Social Cohesion and Inclusiveness:
- Economic Prosperity:
- Responsive Governance:

Social, and cultural Environment:

Sociological and cultural environment refers to the influence of the sociological factors. Thesefactors are beyond the capacity of the company. People’s attitude towards the role of family, marriage; role of women in the society; cultural aspects in the society; the education level of people;the ethical issues involved; social responsiveness are some of the components of sociological and cultural environment. Every business unit is a social organization functioning within a society.

Components:

- Social norms:
- Gender roles:
- Family structure:
- Material aspects:
- Spiritual aspects of life:
- Religion:
- Technology:
- Aesthetics:
- Education:

Cultural environment:

Features, nature and characteristic of culture:

★ Culture is the human product of social interaction.

★ Culture provides socially acceptable norms and patterns for meeting biological and social needs.

★ Culture is cumulative. It is handed down to generation from generation.

★ Culture is meaningful to human beings due to symbolic qualities.

★ Culture is learned by each person in the course of his/her development in a society.

★ Culture is a basic determinant of personality.

★ Culture is dependent on society. It is independent of an individual.

Components:

- Customs:
- Knowledge and beliefs:
- language:

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	I B.Com
Paper	**Business Environment**
Name of the Topic	Global Environment -Unit-5
Hours Required	8 Hours
Learning Objectives	• *Understand the concept of business environment.* • *Define Internal and Externa elements affecting business environment.* • *Explain the economic trends and its effect on Government policies.* • *Critically examine the recent developments in economic and business policies.* • *Evaluate and judge the best business policies in Indian business environment.* • *Develop the new ideas for creating goods business environment.*
Previous Knowledge to be reminded	*NO*
Topic Synopsis	• *Globalization- meaning* • *.Role of WTO* • *WTO Functions* • *IBRD* • *Trade Blocks* • *BRICS* • *SAARC* • *ASEAN*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	*Kalyani, Himalaya publishing*
Student Activity Planned after the teaching	*Student seminar*
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	Student seminar

Globalization:

Globalization is called internationalization. It means integration with the worldeconomy. Globalization refers to the process of integration of the world into one huge market. - **Philip Kotler**

Such unification calls for the removal of trade barriers among countries.

The growing economic interdependence of countries worldwide through a)increasing volume and variety of cross-border transactions in goods and services and

b) of international capital inflows and c) also through the more rapid and widespreaddiffusion of technology.” - **IMF definition on Globalisation.**

Levels of globalization:

Macro level (i.e., globalization of world economy) and micro level (i.e.,globalization of the business and the firm).

Nature Globalization of world economy:

Globalization is a process of development of the world into a single integratedeconomic unit. Nature of globalization of world economy is characterized by:

a. International trade (lower trade barriers and more competition)
b. Financial flows (FDI, technology transfers, portfolio investment)
c. Communications (traditional media and internet)
d. Technological advances in transportation, electronics, bioengineering and related fields
e. Population mobility especially of labor.

Characteristic features of globalization:

- Operating and planning to expand the business through the world.
- Erasing the differences between the domestic market and foreign market.
- Buying and selling products and services from any country to any country in the world.
- Establishing manufacturing and distribution facilities in any part of the world based onthe feasibility and viability rather than national considerations.
- Sources of factors of production and inputs like raw materials, human resources,finance, technology, managerial skills are drawn from the entire world.

W T O:

The signing of the Final Act of the Uruguay Round by member nations of GATT in April 1994 paved the way for the setting up of the World Trade Organisation (WTO). An agreement tothis effect was signed by 104 members. The WTO agreement came into force from January 1, 1995 and India has become a founder member of the World Trade Organisation by ratifying the WTO agreement on December 30,1994. The former GATT was not really an Organisation. It was merely a legal arrangement. On the other hand, the WTO is a new international organization setup as a permanent body and is designed to play the role of a watch dog in the spheres of trade in goods, trade in services, foreign investment, intellectual property rights etc.

Objectives:

- Promotion of liberalization and removal of tariff barriers.
- Monitoring trade policies and developing good trade relations and trade practices.
- Removal of quantitative restrictions.
- Handling trade disputes.
- Helping the producers of goods and services, exporters and importers.

Features:

WTO is legal entity

- It is not an agent of the United Nations
- All the members of WTO have equal rights.
- The agreements under the WTO are permanent and binding to the member countries.
- WTO approach is rule based and time bound.
- WTO has a wider coverage. It covers trade in goods as well as services and trade related aspects ofIPRs.
- WTO is a huge organization and a powerful body.

Functions of WTO:

The WTO has the following five specific functions:

- The WTO shall facilitate the implementation, administration, and operation and further the objectives of the Multilateral Trade Agreements and shall also provide theframework for the implementation, administration and operation of plurilateral TradeAgreements.
- Controls the entire trade functions in world.
- Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.
- WTO another function is building trade capacity

ASEAN:

A group of six countries, viz., Singapore, Brunei, Malaysia, Philippines, Thailand and Indonesia, agreed in January 1992 to establish a Common Effective Preferential Tariffs (CEPT) plan. This plan helped to create an Association of South-East Asian Nations

ASEAN) free trade area in 15 years with effect from January 1993. The CEPT allows fortariffs cut ranging from 0.50 percent to 20.00 percent beginning with 15 products.

The emergence and successful operation of EEC and NAFTA gave impetus for the forming of ASEAN. The ASEAN member countries have developed economically at a fast ratein the globe. Their strength is well educated and skilled human resources. This strength enabled them to achieve faster industrialization. Further the ASEAN member countries are rich in oil, mineral resources, agricultural goods and modern industrial products. These countries invite and allow the free-flow of foreign capital.

The formation of ASEAN enables the member countries to have close cohesiveness,share their economic and human resources and achieve synergy in the development of their agricultural sectors, industrial sectors and service sectors.

The common historical and cultural background made the member countries to maintain their unity and solidarity by establishing a trade block. ASEAN countries have the determination to develop south-east Asia a nuclear weapons free area and a zone ofpeace, freedom and neutrality.

ASEAN Free Trade Area (AFTA):

The ASEAN countries are vigilant of the developments in the international environmentlike the formation NAFTA, SAARC and the introduction of Euro. In view of these developments, the ASEAN countries formed the ASEAN Free Trade Area (AFTA) in September 1994. The AFTA initially set to function for 10 years in order to develop inter ASEAN trade.

The objectives of the AFTA are:

- To encourage inflow of foreign investment into this region.
- To establish free trade area in the member countries.
- To reduce tariff of the products produced in ASEAN countries. 40% value addition in theASEAN countries to the product value is treated as manufactured in ASEAN countries.

SAARC:

The successful performance of EEC, NAFTA and other trade blocks in the economic development of the member countries and in improving the employment opportunities, incomes and living standards of the people of the region gave impetus for the formationof South Asian Association for Regional Cooperation(SAARC).

India, Bangladesh, Bhutan, Pakistan an Nepal. The Maldives and Sri Lanka adopted a declaration on SAARC in August 1983. The charter of the SAARC was formally adopted in December 1985 by the heads of the member countries.

Objectives:

- To improve the quality of life and welfare of the people of the SAARC member countries.
- To develop the region economically, socially and cultural
- To encourage and reinforce south Asian countries ‘collective self-reliance.
- To faster understanding, trust, and respect for one another’s concerns.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	**CH. VIJAYA KALPANA**
Course/Group	II B.Com III Sem
Paper	**Business Statistics**
Name of the Topic	Unit:I, Introduction to Statistics
Hours Required	8 Hours
Learning Objectives	• Understand the importance of Statistics in real life. • Formulate complete, concise, and correct mathematical proofs. • Frame problems using multiple mathematical and statistical tools, measuring relationships by using standard techniques. • Build and assess data-based models • Learn and apply the statistical tools in day life
Previous Knowledge to be reminded	No
Topic Synopsis	• Introduction • Meaning and Definitions • Importance of Statistics • Limitations of Statistics • Types of Data and Data Sources • Collection of Data • Schedule and Questionnaire • Frequency Distribution • `Presentation of Statical Data
Examples / Illustrations	*Population analysis*
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	*Jai Bharathi, Kalyani*
Any other activity	Solving problem

Signature of the Lecture

Introduction:

Business Statistics is the science of a good decision making in the face of uncertainty and is used in many disciplines, such as financial analysis, econometrics, auditing, production and operations, and marketing research. It provides knowledge and skills to interpret and use statical techniques in a variety of business applications. A typical Business Statistics course is intended for business majors, and covers statistical study, descriptive statistics course is intended for business majors, and covers statistical study, descriptive statistics (collection, description, analysis, and summary of data), probability, and the binomial and normal distributions, test of hypotheses and confidence intervals, linear regression, and correlation.

Statistics is a fast-growing subject. These days, there is hardly any subject or branch of study deals with large numbers or data, but does not use the methodology of statistics in one or the other form. Therefore, we can say that statistics constitutes an integral part of every scientific and economic inquiry. Social and economic studies without statistics are inconceivable. Spheres of human activity and knowledge. Statistics thus plays a multifarious role and as Tippet has rightly pointed out it affects everybody and touches life at many points.

History of Statistics:

The Word statistics have been derived from Latin word" Status" or the Italian word" Statista meaning of these words is" political State" or a Government. In the past, the statistics was used by rulers. The application of statistics was very limited but rulers and kings needed information about lands, agriculture, commerce, population of their states to assess their military potential, their wealth, taxation, and other aspects of government.

Meaning and Definitions of Business Statistics:

Business statistics is the science of data assisting to make decisions under uncertainties based on some numerical and measurable scales. It involves colleting, classifying, summarizing organizing, analyzing, and interpreting the data.

Statistics is Defined as the science of:

- Collecting
- Organizing
- Presenting
- Analyzing
- Interpreting numerical data to efficiently help the process of making decisions

Characteristics of Statistics:

- Statistics are the aggregates of facts
- Statistics are affected by a number of factors
- Statistics must be reasonably accurate
- Statistics must be collected in a systematic manner
- Collected in a systematic manner for a pre-determined purpose
- Statistics should be placed in relation to each other
- Numerically expressed

Importance of Statistics:

- Business
- In State Management (Administration)
- In Accounting and Auditing
- In Natural and Social Sciences
- In Economics
- In Mathematics
- In Banking
- In Astronomy

Functions of Statistics

- It prevents facts in a definite numerical form
- It simplifies the complexity of the data
- It provides a technique of comparison
- It helps in formulation and testing hypothesis
- It helps in forecasting of future trends and tendencies
- It studies relationship
- It helps the government

Limitation of statistics

- Statistics cannot be applied to individual term
- Statistical study qualitative phenomena in indirect form
- Statistical law is not exact
- Statistical results are uncertain
- Statistics are not simple
- Statistical data may be incomparable
- Statistics is liable to be misused

Types of Data and Sources :

Data sources could be seen as of two types 1.Primary Data 2.Secondary Data

1.Primary Data:

Advantages:

- Relevance and Suitability:
- Control over Data Collection:
- Accuracy and Reliability:
- Data Authenticity:
- Specific to Research Needs:
- Timeliness:

Disadvantages:

- Cost and time-consuming:
- Limited sample size:
- Difficulty in data analysis:
- Generalizability:

2.Secondary data:

Advantages:

- Time and cost efficiency:
- Large sample size:
- Data validity and reliability:
- Replication and verification:

Collection of Data:

Collection of Data:

1. Methods of collecting primary data;
   - Personal observation
   - Oral interviews
   - Mailed Questionnaire method
   - Schedule Method

2.Methods of Collecting Secondary Data:

- Published sources
- Unpublished sources

Schedule :

The term "schedule" in the context of business statistics typically refers to a planned timetable or agenda for conducting statistical analyses or tasks related to a business project or operation. It outlines the sequence of activities and the specific timeframes within which these activities should be performed.

In the context of business statistics, a schedule may involve various activities such as data collection, data analysis, hypothesis testing, regression modelling, forecasting, and reporting results. The purpose of creating a schedule is to organize and manage the statistical work efficiently, ensuring that the necessary steps are completed in a logical order and within the allocated time.

Types of Schedules:

- Village or community schedule:
- Family or Household schedule
- Opinion or attitude schedule

Questionnaire:

A questionnaire in the context of business statistics is a data collection tool used to gather information from individuals or entities (such as businesses, customers, employees, or stakeholders) about various aspects related to a specific business or market research study. The purpose of a questionnaire is to obtain quantitative and qualitative data to analyze and make informed decisions in the business context.

Here are some key points about questionnaires in business statistics:

- Data Collection:
- Structured Format:
- Standardization:
- Surveys:
- Research and Decision-making:
- Data Validation:
- Anonymity and Confidentiality:

Frequency Distribution:

The way of tabulating a poll of data of a variable and their respective frequencies side by side is called a frequency distribution of those data.

Croxton and Cowden: Frequency distribution is a statistical table which shows the sets oof all distinct values of the variable arranged in order of magnitude, either individually or in groups, with their corresponding frequencies side by side.

Frequency distribution of ungrouped and grouped data is discussed below with examples.

Individual series:

Table are arranged in either ascending or descending order

Discrete series:

Discrete series is generated by counting. Each observation is exact. When an observation is repeated, it is counted the number for which the observation is repeated is called frequency of that observation. The class limits in discrete data are true class limit there are no class boundaries in discrete data.

Let us now represent the data in Table as simple (ungrouped) frequency distribution.

Continuous series:

The series dealing with the continuous variable is called continuous series. Class-intervals is called **Grouped** frequency distribution.

Presentation of Statistical, Data:

- Textual presentation
- Tabular presentation
- Graphical presentation

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com
Paper	**Business Statistics**
Name of the Topic	Unit:2 , Measures of Central Tendency
Hours Required	8 Hours
Learning Objectives	• *Understand the importance of Statistics in real life.* • *Formulate complete, concise, and correct mathematical proofs.* • *Frame problems using multiple mathematical and statistical tools, measuring relationships by using standard techniques.* • *Build and assess data-based models* • *Learn and apply the statistical tools in day life.*
Previous Knowledge to be reminded	*No*
Topic Synopsis	• *Introduction* • *Meaning and Definition* • *Characteristics/Features/Requisites of good Average/Measures of Central Tendency* • *Types of Averages*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	*Jai Bharathi, Kalyani*
Student Activity Planned after the teaching	*Solving problems*
Any other activity	*Solving problems*

Introduction:

In business statistics, the concept of average plays a crucial role in summarizing and analyzing numerical data. The average, also known as the arithmetic mean, is a fundamental measure of central tendency that represents the typical value or the average value of a set of numbers. It is widely used to make sense of large datasets, draw meaningful conclusions, and support decision-making processes in various business contexts.

Meaning and Definition:

One of the main objects of statistical analysis is to get one single value that describes the characteristics of the entire data, such a value is called as central value or average. In other words, the systematically collected mass data is classified, tabulated and presented in a Sigle figure. Such figure is called as average.

The average is calculated by summing up all the individual values in a dataset and dividing that sum by the total number of data points. Mathematically, it is represented as:

Average = (Sum of all values) / (Total number of values)

Definition:

AL Bowley – "Averages are statistical constants which enable us to comprehend in a single effort the significance of the whole".

Characteristics of Average:

- It should e rigidly define
- It should be simple
- It should be based on all the observations
- It should be suitable for algebraic treatment
- It should not be affected much by extreme values
- It should have sampling stability

Types of Averages:

Averages two types 1. Mathematical Measures 2. Positional Measures

1.Mathematical Measures:

- Arithmetic mean
- Harmonic Mean
- Geometric Mean

2.Positional Measures:

- Median
- Mode

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com
Paper	**Business Statistics**
Name of the Topic	Unit:3 **MEASURES OF DISPERSION**
Hours Required	8 Hours
Learning Objectives	➢ *Understand the importance of Statistics in real life.* ➢ *Formulate complete, concise, and correct mathematical proofs.* ➢ *Frame problems using multiple mathematical and statistical tools, measuring relationships by using standard techniques.* ➢ *Build and assess data-based models* ➢ *Learn and apply the statistical tools in day life.*
Previous Knowledge to be reminded	
Topic Synopsis	• *Introduction* • *Meaning and Definition of Dispersion* • *Properties of Dispersion* • *Measures of Dispersion*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	*Jai Bharathi, Kalyani*
Student Activity Planned after the teaching	*Solving problems*
Any other activity	*Solving problems*

Introduction:

In statistics, measures of dispersion, also known as measures of variability or spread, provide important insights into the degree of variability or scattering of data points in a dataset. While measures of central tendency (like mean, median, and mode) give us a sense of the "typical" or "average" value in a dataset, measures of dispersion complement this by telling us how the data points are distributed around that central value.

Meaning and Definition:

"Dispersion" refers to the extent to which data points in a dataset are spread out or scattered from a central value. It is a statistical concept commonly used to describe the variability or spread of data points around a measure of central tendency, such as the mean, median, or mode.

A.L. Bowley: "Dispersion is the measure of the variation of the items.

Properties of Measure of Dispersion

- Rigidly Defined
- Easy to Calculate
- Based on all observation
- Easy to Understand
- Least Affected by the Sampling Fluctuations
- Unaffected by Extreme Values
- Suitable for Further Treatment

Methods Measures of Dispersion:

Methods Measures of Dispersion two types 1. Mathematical methods 2. Graphical methods

1.**Mathematical Methods**

- Range
- Inter-quartile range or Quartile Deviation
- Mean deviation
- Standard deviation

2**.Graphical Method**

- Lorenz curve

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com
Paper	**Business Statistics**
Name of the Topic	Unit:4 , Skewness and Kurtosis
Hours Required	8 Hours
Learning Objectives	➢ *Understand the importance of Statistics in real life.* ➢ *Formulate complete, concise, and correct mathematical proofs.* ➢ *Frame problems using multiple mathematical and statistical tools, measuring relationships by using standard techniques.* ➢ *Build and assess data-based models* ➢ *Learn and apply the statistical tools in day life*
Previous Knowledge to be reminded	
Topic Synopsis	• *Introduction* • *Meaning of Skewness* • *Types of Skewness* • *Method of Skewness*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	*Jai Bharathi, Kalyani*
Student Activity Planned after the teaching	*Solving problems*
Activity planned outside the Class room ,if any	*Student Assignment*
Any other activity	*Solving problems*

Introduction:

Skewness is a statistical measure used to describe the asymmetry or lack of symmetry in the probability distribution of a dataset. In other words, it quantifies the extent to which the values in the dataset are concentrated on one side of the mean compared to the other side. A dataset is said to be skewed if its distribution is not symmetrical.

Meaning of Skewness:

Skewness is a statistical measure that helps to describe the asymmetry or lack of symmetry in the probability distribution of a dataset. In other words, it measures the extent to which the data points are distributed asymmetrically around the average or mean value.

Skewness can have three possible outcomes:

- Positive Skewness (Right-skewed
- Negative Skewness (Left-skewed
- Zero Skewness:

.

Tests of Skewness:

Skewness is a statistical measure that quantifies the asymmetry of the probability distribution of a random variable. In simpler terms, it helps to identify whether the data is skewed to the left (negatively skewed), skewed to the right (positively skewed), or symmetrically distributed (zero skewness).

There are several tests that can be used to assess the skewness of a dataset. Some commonly used tests are:

- Graphical Methods:
- Moments and Coefficients:
- Shapiro-Wilk Test:
- D'Agostino and Pearson's Test:
- Jarque-Bera Test:
- Quantile-Quantile (Q-Q) Plot:
- Moments of the data:

Measures of Skewness:

1. Pearson's First Coefficient of Skewness :
2. Bowley's Skewness Coefficient:
3. Yule's Coefficient of Skewness:

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com
Paper	**Business Statistics**
Name of the Topic	Unit:5 Correlation
Hours Required	8 Hours
Learning Objectives	➢ *Understand the importance of Statistics in real life.* ➢ *Formulate complete, concise, and correct mathematical proofs.* ➢ *Frame problems using multiple mathematical and statistical tools, measuring relationships by using standard techniques.* ➢ *Build and assess data-based models* ➢ *Learn and apply the statistical tools in day life.*
Previous Knowledge to be reminded	*Already learnt about correlation*
Topic Synopsis	• *Introduction* • *.Meaning of Correlation* • *Types of Correlation* • *Methods of Correlation*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	*Jai Bharathi, Kalyani*
Student Activity Planned after the teaching	*Solving problems*
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	*Solving problems*

Introduction:

Correlation analysis is a statistical technique used to measure and understand the relationship between two or more variables. It helps us determine whether and how two variables are related to each other. Correlation analysis examines whether changes in one variable are associated with changes in another variable.

Correlation is a key concept in various fields such as statistics, economics, finance, social sciences, and many others. It allows researchers and analysts to identify patterns, make predictions, and gain insights into the data.

The result of a correlation analysis is a correlation coefficient, which quantifies the strength and direction of the relationship between variables. The correlation coefficient ranges from -1 to +1:

- A correlation coefficient of +1 indicates a perfect positive correlation, meaning that as one variable increases, the other also increases proportionally.
- A correlation coefficient of -1 indicates a perfect negative correlation, meaning that as one variable increases, the other decreases proportionally.
- A correlation coefficient close to 0 suggests a weak or no correlation, meaning that the variables are not related or have a very weak association.

There are several methods to calculate correlation coefficients, with the most common being the Pearson correlation coefficient, also known as Pearson's r. This method is suitable for continuous variables that follow a roughly linear relationship. For other types of data, such as ordinal or non-linear relationships, other correlation measures like Spearman's rank correlation or Kendall's tau are used.

It is important to remember that correlation does not imply causation. Just because two variables are correlated, it does not necessarily mean that one variable causes changes in the other. There may be underlying factors or coincidental relationships affecting the correlation.

Correlation analysis is a powerful tool for understanding data patterns and relationships, but it should be used in conjunction with other statistical methods and domain knowledge to draw meaningful conclusions and make informed decisions.

Meaning of Correlation:

Correlation refers to a statistical relationship or association between two or more variables. When two variables are correlated, changes in one variable tend to be accompanied by corresponding changes in the other variable. The relationship can be positive or negative, and it is quantified by the correlation coefficient, which ranges between -1 and +1.

1. Positive correlation: When two variables have a positive correlation, it means that as one variable increases, the other variable tends to increase as well. A correlation coefficient close to +1 indicates a strong positive correlation.
2. Negative correlation: In contrast, negative correlation occurs when one variable increases, and the other variable tends to decrease. A correlation coefficient close to -1 indicates a strong negative correlation.
3. No correlation: If there is no consistent relationship between the variables, they are considered to have no correlation. In this case, the correlation coefficient is close to 0.

It is important to note that correlation does not imply causation. Just because two variables are correlated does not mean that one causes the other to change. Correlation merely indicates that there is a statistical relationship between the variables. Further research and experiments are needed to establish causation.

Types of Correlation:

Types of Correlation 3 types

- Nature of Relationship 1. positive correlation 2. Negative correlation
- Number of Variables 1. Simple correlation 2. Multiple correlation
- Rate of change 1. Liner 2. Non-Linear (cure linear)

Methods of Correlation:

Methods of Correlation 2 types

- Graphical methods 1. Scatter diagram 2. Simple graph

Mathematical methods 1. Karl Pearsons 2. Spearman’s 3. Concurrent

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com IV Sem
Paper	**Income Tax**
Name of the Topic	Unit:1 , Introduction to Income Tax
Hours Required	8 Hours
Learning Objectives	➢ *Acquire the complete knowledge of the tax evasion tax avoidance and tax planning.* ➢ *Understand the provisions and compute income tax for various sources.* ➢ *Grasp amendments made from time to time in Finance Act.* ➢ *Compute total income and define tax complicacies and structure.*
Previous Knowledge to be reminded	*Already learnt about Income Tax*
Topic Synopsis	*1.Income tax Act 1961* *2.Basic concepts income person* *3.Assessment year* *4.Previous year* *5.Agricultural Income tax* *6.Residential statusof*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

UNIT - I

BASIC CONCEPTS, MEANING AND DEFINITION

Meaning of tax

The tax is a compulsory payment that has to be made by individual or other persons to central government, state government or local government. Tax is based on certain will establishment rules or criteria such as income earned, property owned or expenditure made.

Direct and indirect tax

Direct tax is a payment directly made to the stable by the person who bears it.
Indirect tax is a tax which is paid by one person and burned by another person.

Income tax act

The income tax act of 1961 has been in effect from the first day of April 1962 (sec 1). It contains 298 sec, sub sections, schedules etc. the income tax rules of 1962 was framed by **central board of Direct Taxes** (CBDT)

Assessment year (sec 2(9)

Assessment year may be defined as a year in which the income tax of the previousyear is to be assessed. It is a period of twelve months starting from April 1 of everyyear and ending on March 31 of the next year.

Previous year (sec 3)

For the purposes of this Act, the term “previous year” means that the financial yearimmediately preceding the assessment year ..... Under Income Tax, the returns are filed by assesses after end of the year/ period during which earnings are made and that periodis called as previous year/ financial year.

Definition of 'Assesses'

Section 2(7) of Income Tax Act. As per S. 2(7) of the Income Tax Act, 1961, unless the context otherwise requires, the term “**Assessee**” means a person who is responsible for payment of any tax or any other sum of money under this Act, and includes

Person 2(31)

It includes an individual and Hindu Undivided Family (HUF), Company, Firm, Associationof Person (AOP), Body of Individual (BOI) Local Authority & Artificial Juridical Persons.

AGRICULTURAL INCOME (SEC 2(1A))

In India, agricultural income refers to income earned or revenue derived from sources that include farming land, buildings on or identified with an agricultural land and commercial produce from a horticultural land. Agricultural income is defined under section 2(1A) of the Income Tax Act, 1961.

Different types of Agricultural Income

- Rent or Revenue Derived from land.
- Income from Agriculture Operations.
- Income from Farm House/Building Attached to Agricultural Land.

How to determine residential status?

For the purpose of income tax in India, the income tax laws in India classify taxable persons as:

- A resident
- A resident not ordinarily resident (RNOR)
- A non-resident (NR)

The taxability differs for each of the above categories of taxpayers. Before we get intotaxability, let us first understand how a taxpayer becomes a resident, an RNOR or and NR.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com
Paper	**Income Tax**
Name of the Topic	Unit:2 , Income from Salaries
Hours Required	8 Hours
Learning Objectives	➢ *Acquire the complete knowledge of the tax evasion tax avoidance and tax planning.* ➢ *Understand the provisions and compute income tax for various sources.* ➢ *Grasp amendments made from time to time in Finance Act.* ➢ *Compute total income and define tax complicacies and structure.*
Previous Knowledge to be reminded	*Already learnt about skewness*
Topic Synopsis	*1.Basis of Salaries* *2.Salaries Allowances* *3.Perquisities* *4.Deductions from salary*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	
Student Activity Planned after the teaching	*Solving problems*
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

UNIT - II
INCOMEFROMSARY

Salary

Salary comes into existence as a result of employer-employee relationship. In a employer-employee relationship, employee performs his duties and the employer provides him salary.

Allowances

Allowances are part of salary given to employees to meet some particular requirements such as house rent, conveyance, etc. Allowances may be fully taxable, partially taxable or fully exempt.

House Rent Allowance [S. 10(13A) & Rule 2A]

The least of the following is exempt from tax:

- 50% of salary, (residential house situated at Mumbai, Kolkata, Delhi or Chennai) and 40% of salary where residential house is situated at any other place;
- Actual house rent allowance received by the employee;
- Excess of rent paid over 10% of salary

Leave Encashment [S. 10(10AA)]

Encashment of earned leave while in service will be treated as income. S. 17(1)(v)(a). Encashment of earned leave on retirement would however, be exempt to the extent of least of:

- 10 months' salary calculated on the basis of last 10 months average salary or
- Rs. 3,00,000
- Amount equivalent to earned leave
- Actual amount paid by the employer

Entitlement of earned leave should not exceed 30 days for every year of actual service. Limits provided for aggregate maximum from any number of employers. Encashment of earned leave on retirement would be wholly exempt for employees of Central/State Government.

Special Allowances [S. 10(14)]

Following prescribed special allowances are exempt:

- Allowance, not in the nature of perquisite, granted to meet expenses wholly, necessarily and exclusively incurred in the performance of duties, to the extent to which actually incurred.
- Allowance granted to meet personal expense at the place where duties of his office are ordinarily performed or at the place where he ordinarily resides or to compensate for increased cost of living as may be prescribed in Rule 2BB.

Nature of allowance prescribed under Rule 2BB

- For cost of travel on tour or on transfer,
- For ordinary daily charges on account of absence from normal place of duty on tour or for journey in connection with transfer,
- For conveyance in performance of duties, where free conveyance is not provided,
- For expenditure on helper engaged for performance of office duties,

- For encouraging academic, research and training pursuits in educational and research institutions,
- For purchase or maintenance of uniform,
- Special Compensatory Allowance in specified areas to extent specified,
- Tribal Area Allowances in specified states up to Rs. 200 p.m.
- For meeting personal expenditure of employee of transport system running transport vehicle, up to 70% of allowance, maximum of Rs. 6,000 p.m., provided no daily allowance for the said duty is received.
- Children educational allowance @ Rs. 100 p.m. per child, maximum of two children,
- Children hostel allowance @ Rs. 300 p.m. per child, maximum of two children,
- Compensatory Field Area Allowance in specified areas, @ Rs. 2,600 p.m.
- Compensatory modified field area allowance @ Rs. 1,000 p.m.
- Counter insurgency allowance @ Rs. 3,900 p.m. to members of armed forces.
- Transport allowance (TA) granted to meet expenses for commuting between place of residence and place of duty is exempt up to Rs. 800 per month and TA received by blind or orthopedically handicapped is exempt up to Rs. 1,600 per month.
- Underground allowance granted to employee of underground coal mines: Rs. 800 per month.
- Special allowance in the nature of high altitude to members of armed forces: Rs. 1,060 per month for altitude of 9,000 to 15,000 ft. or Rs. 1,600 per month for altitude above 15,000 ft.
- Special compensatory highly active field area allowance to members of armed forcesRs. 4,200 per month.
- Island (duty) allowance to members of armed forces – Rs. 3,250/- per month.
- Perquisites
- Perquisites are benefits such as rent free accommodation, company's car, etc
- Perquisites may be provided in cash or in kind.
- Reimbursement of expenses incurred during office work is not a part of perquisites.
- Unauthorized benefits obtained do not form part of Perquisites
- Perquisites may be fully taxable, partially taxable or fully exempt.
- Fully and Partially Taxable Perquisites

Perquisites not taxable in all cases

The following perquisites are not taxable under CBDT instructions or by virtue of the Act/Rules:

- The provision of medical facilities as per Para 4(i).
- Free meals provided to all employees in office up to Rs. 50 per employee provided by the employer through paid vouchers usable at eating joints.
- Telephone including mobile phone provided to the employee.
- Perquisites allowed outside India by the Government to a citizen of India for rendering services outside India.
- Sum payable by an employer to pension or deferred annuity scheme.
- Employer's contribution to staff group insurance scheme.
- Actual travelling expenses paid/reimbursed for journeys undertaken for business purposes.
- Payment of annual premium on personal accident policy, if such policy is taken to safeguard the employer's interest. See *CIT vs. Lala Shri Dhar* (1922) 84 ITR 192 (Delhi).
- Rent-free official residence to a High Court or Supreme Court Judge.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com
Paper	**Income Tax**
Name of the Topic	Unit:3 , Income from House property and profit and gain Business
Hours Required	8 Hours
Learning Objectives	➢ *Acquire the complete knowledge of the tax evasion tax avoidance and tax planning.* ➢ *Understand the provisions and compute income tax for various sources.* ➢ *Grasp amendments made from time to time in Finance Act.* ➢ *Compute total income and define tax complicacies and structure.*
Previous Knowledge toreminded	*no*
Topic Synopsis	*1.Annual Value* *2.Let/Self occupied* *3.Definition of Business and Profession* *4.Computation Income from House Property* *5.computation business and proff*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	
Student Activity Planned after the teaching	*Solving problems*
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

UNIT - III

INCOME FROM HOUSE PROPERTY

Annual value of any property is assessable under this head it,

- Assessee is the owner of the property.
- Property is building and attached land.
- Property should not be used by the owner for his business or profession.

Incomes - Exempted from 'House Property Income'

Under section 10 of the Income-tax Act 1961 following incomes from house property are exempted from tax. These incomes are not to be included in the total income of assessee. Hence no tax is payable on such incomes. These incomes are:

Agricultural House Property [Section 2(1)(c)].

Income from such house property which is situated on or in the immediate vicinity of agricultural land which is used for agricultural purposes by cultivator is exempted from tax.

Income from Property held under Trust Wholly for Charitable or Religious Purposes [Section 11(1)(a)]:

Income derived from property held under trust, wholly for charitable and religious purposes, shall be exempt. To the extent such income is applied in India for such purposes; andwhere any such income is accumulated or set apart for application to such purposes in India, to the extent to which the income so accumulated or set apart is not in excess of 15% of the income from such property.

Income from Property held under trust which is applied in part only for Charitable or Religious purposes [Section 11(1)(b)]:

Income derived from property held under trust in part only for such purpose, shall be exempt:To the extent such income is applied in India for such purposes, provided, the trust in question is created before the commencement of Income-tax Act, 1961 i.e. before 1.4.1962; andWhere any such income is finally set apart for application to such purposes in India, to the extent to which the income so accumulated or set apart is not in excess of 15% of the income from such property.

Income from Property held under trust which is applied for Charitable Purposes outside India [Section 11(1)(c)]:

Income derived from property held under trust, created on or after 1.4.1952 for charitable purpose which tends to promote international welfare in which India is interested, shall be exempt to the extent to which such income is applied to such purpose outside India. Religious trusts are not covered here.

Income derived from property held under a trust for charitable or religious purposes, created before 1.4.1952, shall be exempt to the extent to which such income is applied to such purposes outside India.

In the above two cases, it is necessary that the Board, by general or special order, has directed in either case that it shall not be included in the total income of the person in receipt of such income.

Self-Occupied but Vacant House [Section 23(3)]

In case an assesse keeps one of his own houses reserved for self-occupation but is living in a rented house elsewhere due to his employment or profession the income from such house is taken to be NIL.

The annual value of self-occupied house shall not be NIL:

If such house or part of the house is actually let during the whole or any part of the previous year; or

Any other benefit there from is derived by the owner from such house.

In the above cases, the annual value shall be determined as per provisions applicable for let out properties i.e. under clause (a), (b) or (c) of section 23(1).

House used for Own Business or Profession.

There is no income chargeable to tax under this head from such house property.

Property held by Registered Trade Union [Section 10(24)].

Income from a house property owned by a registered trade union is not to be included in its G.T.I.

Income from House Property held by following shall be exempted:

- House property held by a local authority.
- House property held by a scientific research institution.
- House property held at a political party.
- House property held by a university and any other educational institution working for spreading education and not to earn profit.
- House property held by a hospital or medical institution working for the spreading of medical services to people and is not meant for earning profit.
- It is income from a farmhouse.

One House Property (a palace) owned by a former ruler of Indian states.

Ex-rulers of Indian states may own many palaces but only one palace of their choice shall be treated as a self-occupied house and shall be exempted.

One Self-Occupied House

In case assessed owns one residential house, the net annual value of the same shall be taken as nil but in case he owns more than one house, then only one of his choice but normally of higher value shall be treated as a self-occupied one and other/others are treated as deemed to be let out.

INCOME FROM BUSINESS OR PROFESSION

Introduction

Provision regarding calculation of profits and gains of business or profession is dealt under section 28 to 44 of income tax act 1961. This head of the act is a major source of revenue to the government.

Business [section 2(13)]

Definition of “Business” includes any trade, commerce or manufacture or any venture or concern in the nature of trade, commerce or manufacture.

Profession [section 2(36)]

Profession involves an exercise of intellect and skill based on learning and experience. Vocation refers to any work performed on the strength of one’s natural ability for the work. Regularity and profit motive are not necessary for an activity to be called a vocation.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com
Paper	**Income Tax**
Name of the Topic	Unit:4 , Income from Capital Gains-Income from other sources.
Hours Required	8 Hours
Learning Objectives	➢ *Acquire the complete knowledge of the tax evasion tax avoidance and tax planning.* ➢ *Understand the provisions and compute income tax for various sources.* ➢ *Grasp amendments made from time to time in Finance Act.* ➢ *Compute total income and define tax complicacies and structure.*
Previous Knowledge to reminded	*no*
Topic Synopsis	*1.Meaing of Capital Asset* *2.Types of Capital* *3.Meaning of Other Sources* *4.General Income* *5.Specific Income Tax*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	
Student Activity Planned aftthe teaching	*Solving problems*
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

Meaning of Capital Asset

In income tax, a capital asset refers to any property or investment that is held by an individual or business for investment, business, or personal purposes, and has the potential to appreciate or depreciate in value over time. Capital assets can include a wide range of properties, such as real estate, stocks, bonds, precious metals, and collectibles.

The Income Tax Act defines capital assets as property of any kind, whether fixed or circulating, movable or immovable, tangible or intangible, but excludes certain specified items such as stock-in-trade, consumables, and personal effects. Capital assets are categorized into two types for tax purposes:

1. Short-term capital assets:
2. Long-term capital assets:

   Taxation of capital gains is an important aspect of income tax, where the gains or losses from the transfer of capital assets are subject to tax. The rates of taxation on capital gains depend on various factors, such as the type of capital asset, the holding period, and the applicable tax laws in the jurisdiction. It's important to consult with a qualified tax professional or refer to the relevant income tax laws and regulations in your specific jurisdiction for accurate and up-to-date information on the treatment of capital assets in income tax.

TYPES CAPITAL GAIN:

1. Short-term capital gains
2. Long-term capital

MEANING OF OTHER SOURCES:

1. Lottery winnings
2. Gambling winnings
3. Alimony or spousal support
4. Awards or prizes
5. Royalties
6. Annuities
7. Income from bartering or exchanging goods/services
8. Forgiveness of debt
9. Income from a hobby
10. Miscellaneous income from a business or profession that does not fall into other predefined categories.

General Income Tax :

1. Wages and salaries:.
2. Business income.
3. Investment income:
4. Retirement income:
5. Social Security benefits:
6. Other income:

SPECIFIC INCOME TAX

1. Investment income:
2. Retirement income:
3. Other sources of income:

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com
Paper	**Income Tax**
Name of the Topic	Unit:5 , Computation of Total Income of an individual.
Hours Required	8 Hours
Learning Objectives	➢ *Acquire the complete knowledge of the tax evasion tax avoidance and tax planning.* ➢ *Understand the provisions and compute income tax for various sources.* ➢ *Grasp amendments made from time to time in Finance Act.* ➢ *Compute total income and define tax complicacies and structure*
Previous Knowledge to be reminded	*Already learnt about Income tax*
Topic Synopsis	*1.Deductions under Section 80-* *2.Computation of Total Income*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	
Student Activity Planned after the teaching	*Solving problems*
Activity planned outside the Class room ,if any	*Student Assignments*

Section 80 of the Income Tax Act in India provides various deductions to individual taxpayers to reduce their taxable income and lower their overall tax liability. Here are some common deductions available under Section 80:

- Section 80C:
- Section 80D:
- Section 80E:
- Section 80G:
- Section 80TTA/80TTB:
- Section 80CCF:.
- Section 80GG:.

*2.**Computation of Total Income:***

- Gross Income Calculation
- Deductions and Exemptions:
- Taxable Income Calculation:
- Tax Calculation
- Gross Income Calculation
- Deductions and Exemptions:
- Taxable Income Calculation:
- Tax Calculation
- Total Income Calculation

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com
Paper	**Auditing**
Name of the Topic	Unit:1 , Introduction
Hours Required	8 Hours
Learning Objectives	➢ *Understanding the meaning and necessity of audit in modern era.* ➢ *Comprehend the role the role of auditor in avoiding the corporate frauds.* ➢ *Identify the steps involved in performing audit process.* ➢ *Determine the appropriate audit report for a give audit situation.* ➢ *Apply auditing practices to different types of business entities*
Previous Knowledge toreminded	*No*
Topic Synopsis	• *Meaning objectives importance of Auditing* • *Book Keeping vs Auditing* • *Accounting vs Auditing* • *Role of Auditor in checking corporate*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	
Student Activity Planned after the teaching	*Solving problems*
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

INTRODUCTION TO AUDITING

The word Audit is derived from Latin word Audirewhich means ‗to hear'. Auditing is the verification of financial position as disclosed by the financial statements. It is an examination of accounts to ascertain whether the financial statements give a true and fair view financial position and profit or loss of the business. Auditing is the intelligent and critical test of accuracy, adequacy and dependability of accounting data and accounting statements. Different authors have defined auditing differently, some of the definition are:

Auditingisanexaminationofaccountingrecordsundertakenwithaviewtoestablishmentwheth er they correctly and completely reflect the transactions to which they purport to relate. L.R.Dicksee

Auditingisconcernedwiththeverificationofaccountingdatadeterminingtheaccuracyand reliability of accounting statements and reports‖ R.K.Mautz

Auditingisthesystematicexaminationoffinancialstatements,recordsandrelatedoperations to determine adherence to generally accepted accounting principles, management policiesand stated requirement‖R.E.Schlosse

Meaning of Auditing:

Auditing typically refers to the process of examining and verifying financial records, statements, or systems to ensure their accuracy, reliability, and compliance with relevant laws, regulations, and standards. It involves a systematic and independent review of financial information, internal controls, and business processes to provide an objective opinion on the fairness and integrity of the information being audited.

Objectives of Auditing:

Ensures Accuracy and Reliability of Financial Information:.

1. Enhances Financial Reporting and Accountability:
2. Safeguards Assets and Mitigates Risks:
3. Facilitates Decision Making and Planning
4. Enhances Investor Confidence and Stakeholder Trust:
5. Ensures Compliance with Laws and Regulations:

Book keeping vs Auditing :

1. **Accounting vs Auditing:**

1. Role:
2. Independence.
3. Legal requirements:

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com
Paper	**Auditing**
Name of the Topic	Unit:2 , Types of Auditing
Hours Required	8 Hours
Learning Objectives	➢ *Understanding the meaning and necessity of audit in modern era.* ➢ *Comprehend the role the role of auditor in avoiding the corporate frauds.* ➢ *Identify the steps involved in performing audit process.* ➢ *Determine the appropriate audit report for a give audit situation.* ➢ *Apply auditing practices to different types of business entities.*
Previous Knowledge toreminded	*No*
Topic Synopsis	• *Types of Auditing* • *Based on ownership* • *Time and objective* • *Independent Audits* • *Financial Audits and Internal Audit*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	*kaiyani*
Student Activity Planned after the teaching	*Student seminar*
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	Student assignment

Types of Auditing :

There are several types of auditing, which can be broadly categorized based on the nature and purpose of the audit. Some common types of auditing include:

- Financial Audit:
- Internal Audit.
- Operational Audit.
- Compliance Audit:
- Information Systems Audit:
- Performance Audit:
- Forensic Audit:
- Environmental Audit:
- Social Audit:

Based on Ownership:

- Document review:
- Transaction analysis
- System validation:
- Compliance assessment:
- Reconciliation:
- Reporting

Time and objective:

- Evaluating time management
- Assessing goal attainment:
- Identifying gaps:
- Reviewing productivity:
- Assessing resource utilization:
- Reviewing effectiveness and efficiency
- Identifying best practices:

Independent Audits:

Financial Audits:

- Accountability:
- Risk management:
- Decision-making:
- Investor confidence:

Internal Audits:

- Identifying and assessing risks.
- Evaluating internal controls
- Monitoring compliance:
- Improving operational efficiency
- Providing assurance to stakeholders:
- Detecting fraud:.
- Supporting external audits

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com
Paper	**Auditing**
Name of the Topic	Unit:3 , Planning of Auditing
Hours Required	8 Hours
Learning Objectives	➢ *Understanding the meaning and necessity of audit in modern era.* ➢ *Comprehend the role the role of auditor in avoiding the corporate frauds.* ➢ *Identify the steps involved in performing audit process.* ➢ *Determine the appropriate audit report for a give audit situation.* ➢ *Apply auditing practices to different types of business entities.*
Previous Knowledge to reminded	*No*
Topic Synopsis	• *New Audits* • *Audit Program* • *Audit Note Book* • *Audit working paper*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	*Jai Bharathi Kalyani publishing*
Student Activity Planned after the teaching	*Student Assignments*
Activity planned outside the Class room ,if any	*Student Assignments*

Steps to be taken at the Commencement of a New Audits:

- Understand the business:
- Develop an audit plan:
- Assemble the audit team:
- Conduct a risk assessment:
- Notify management
- Begin testing:.
- Communicate findings

Audit Programme:

- Audit testing
- Audit documentation:
- Reporting:
- Communication:
- Quality control.
- Follow-up:

Audit Note Book

- Audit objectives:
- Audit planning:
- Audit procedures:
- Audit evidence:
- Audit findings
- Auditor's conclusions:
- Review and sign-off:
- References:
- Cross-references:
- Indexing:

Audit working papers:

- Audit programs:
- Audit evidence.
- Analytical procedures:
- Memoranda

Audit evidence :

- Documents:
- Confirmations:
- Physical inspection:.
- Analytical procedures:
- Observations:
- Inquiries:
- External evidence:

Internal audit and internal control :

- Internal Audit
- Internal Control:

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	CH. VIJAYA KALPANA
Course/Group	II B.Com
Paper	**Auditing**
Name of the Topic	Unit:5 , Vouching and Investigation
Hours Required	8 Hours
Learning Objectives	➢ *Understanding the meaning and necessity of audit in modern era.* ➢ *Comprehend the role the role of auditor in avoiding the corporate frauds.* ➢ *Identify the steps involved in performing audit process.* ➢ *Determine the appropriate audit report for a give audit situation.* ➢ *Apply auditing practices to different types of business entities.*
Previous Knowledge toreminded	*no*
Topic Synopsis	• *Definition and Importance of vouching* • *Based on ownership* • *Time and objective* • *Independent Audits* • *Financial Audits and Internal Audit*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board, PPTs*
References cited	
Student Activity Planned aftethe teaching	*Student seminar*
Activity planned outside the Class room ,i any	*Student Assignments*
Any other activity	Student seminar

Definition of Vouching:

Definition:

Vouching,widelyrecognizedas-thebackboneofauditing,||isacomponentof an audit seeking to authenticate the transactions recorded in a firm's book of accounts. When an accounting transaction is vouched, it is tested and verified by presenting relevant documentary evidence.

OBJECTIVES OF VOUCHING

- All the transactions which relate to the business have been recorded in thebooks of accountsproperly.
- To verify that all transactions recorded in the books of accounts are supported bydocumentaryevidence.
- The vouchers which support the entries are legally valid from the view point that theyare authentic, addressed to the business and properlydated.
- To verify that no fraud or error has been committed while recording the transaction inbooks ofaccounts.
- The vouchers have been processed carefully through various stages of internal checksystem.
- While recording the transaction whether distinction has been made between capitaland revenueitems.
- Whether accuracy has been observed while totaling, carrying forward and recordingan amount in the account

TEACHING PLAN

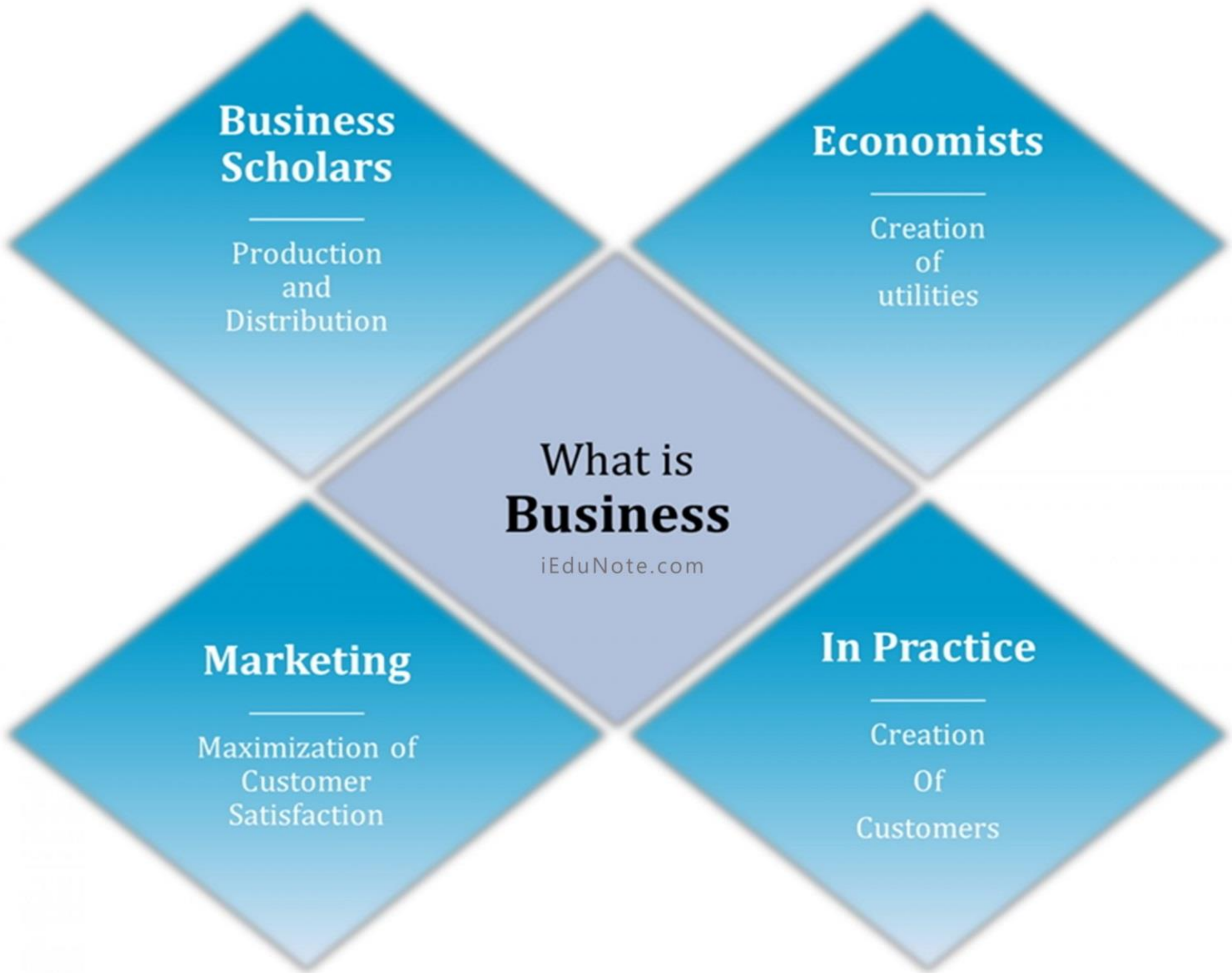
Name of the Department/Subject	COMMERCE
Name of the Lecturer	KASULA KOTESWA RAO
Course/Group	I B.Com
Paper	Business Organisation&Management
Name of the Topic	Introduction and Concepts of Business
Hours Required	8 Hours
Learning Objectives	explain the concept and characteristics of business; compare the distinctive features of business, profession and employment; classify business activities and clarify the meaning of industry and commerce; state various types of industry; explain the activities relating to commerce; analyse the objectives of business; .
Previous Knowledge to be reminded	*Yes in Intermediate Level*
Topic Synopsis	➢ *Meaning,Definitions and of Business* ➢ *Features and Functions of Business* ➢ *Meaning of Trade and Classification of Trade,Aids to Trade* ➢ *Meaning of Industry and Classification of Industry* ➢ *Commerce Concept and Importance of Commerce* ➢ *Factors Influencing the Choice of Suitableform of Organisation*
Examples / Illustrations	*Explained Top Industries in India*
Additional inputs	*Internet citation for identify the Important Aids to trade in India*
Teaching Aids used	*Black Board*
References cited	*Himalaya Publishing House*
Student Activity Planned after the teaching	*Preparation of Different types of Commerce Activities in Charts.*
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

Signature of the Lecturer

Meaning of Business:

Everything that surrounds us is a chain of business, from a laptop to the chair we sit. With every change in technology, human being demand also changes. Giving business persons to grow their business or start a new venture. Let's study in details about the business and its characteristics.

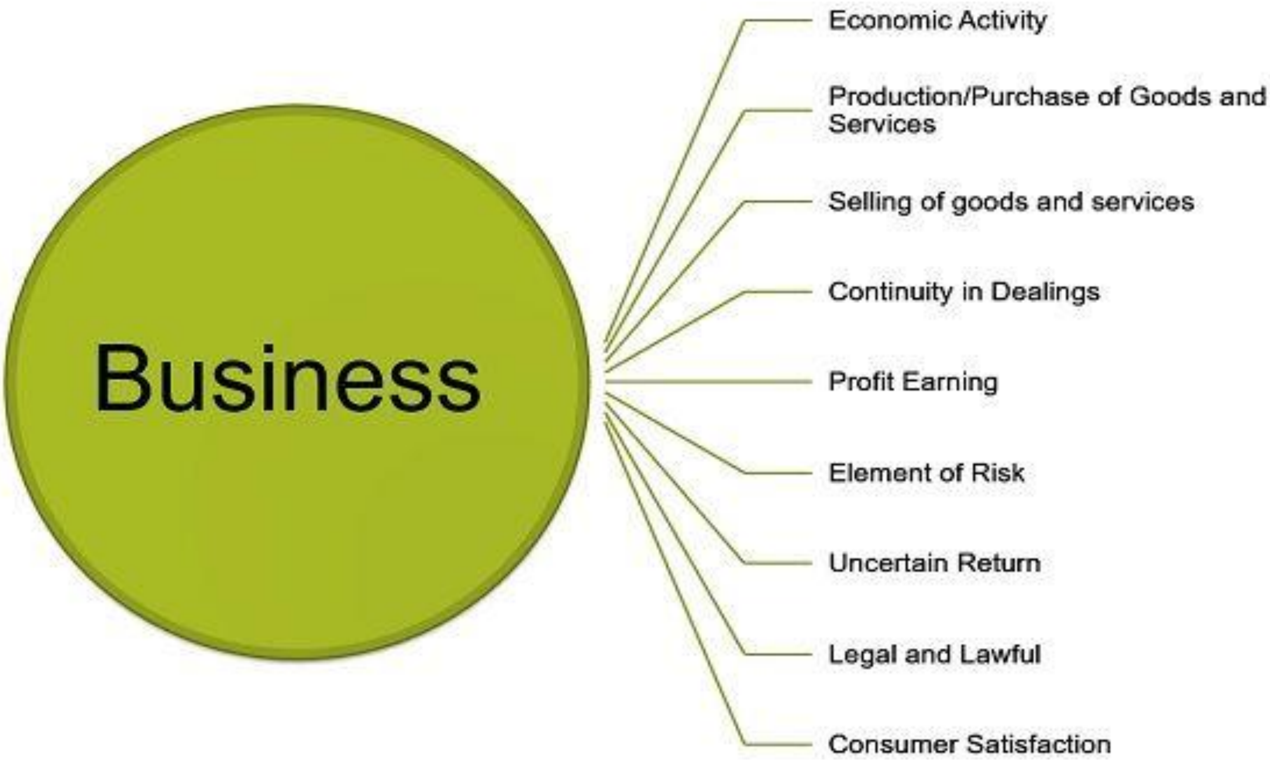
Business is an economic activity that involves the exchange, purchase, sale or production of goods and services with a motive to earn profits and satisfy the needs of customers. Businesses can be both profit or non-profit organizations that function to gain profits or achieve a social cause respectively



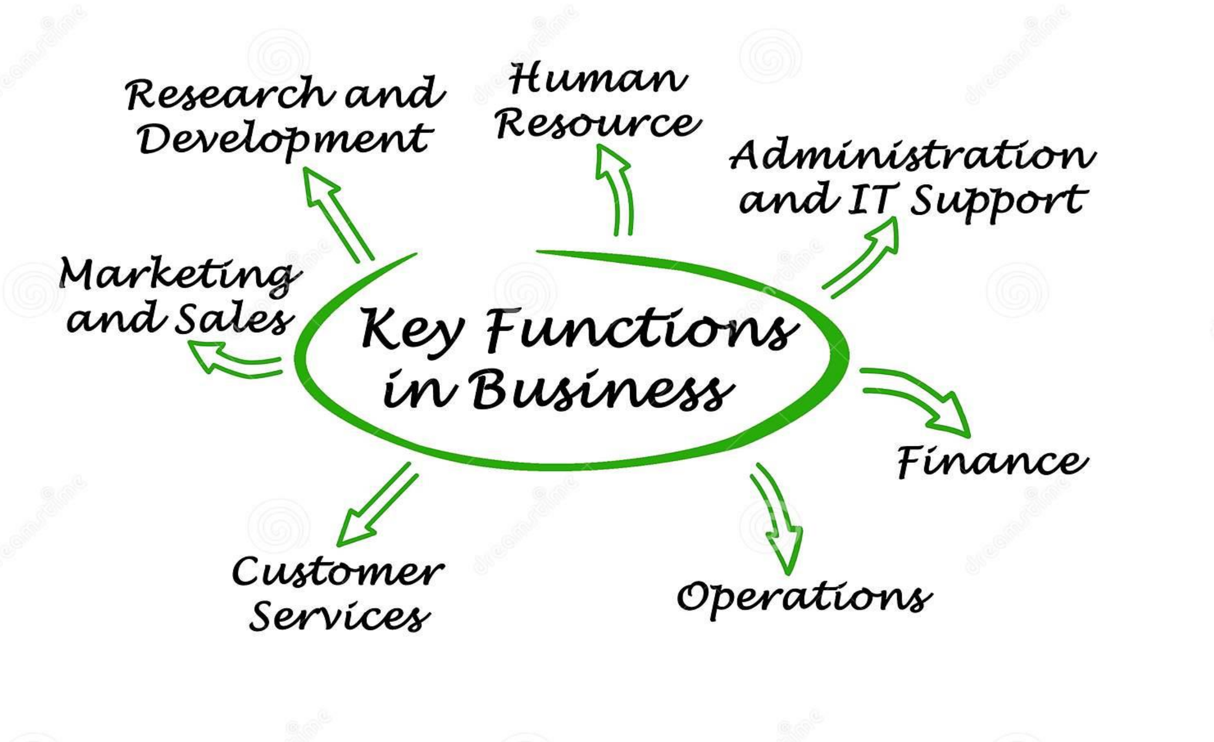
Definition:

Business is defined as an organised economic activity, wherein the exchange of goods and services takes place, for adequate consideration. It is nothing but a method of making money, from commercial transactions. It includes all those activities whose sole aim is to make available the desired goods and services to the society, in an effective manner.

Features/Characteristics of a Business



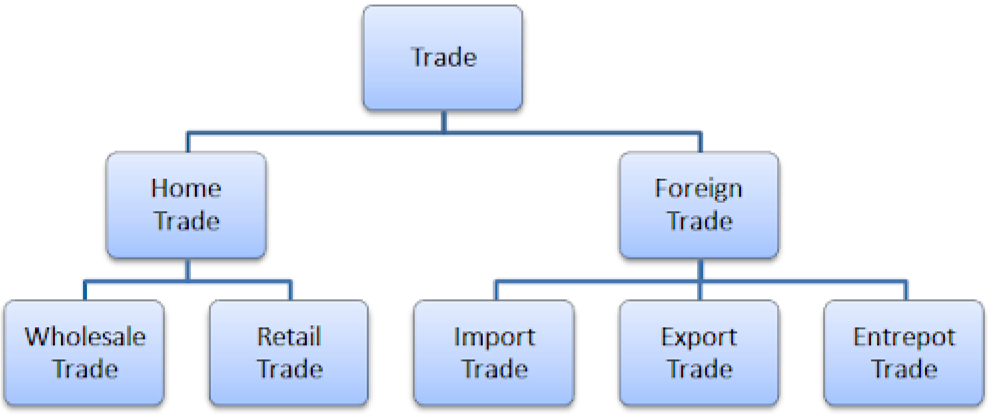
Functions of a Business



Trade:

The exchange of goods among countries, states and people is referred to as trade. Trade is the movement of goods from the location where it is manufactured to the markets. The place where exchanges of goods take place is known as the market. These markets could be at local level, state level, national level or at international level or at all levels depending on the demand.

Classification of Trade



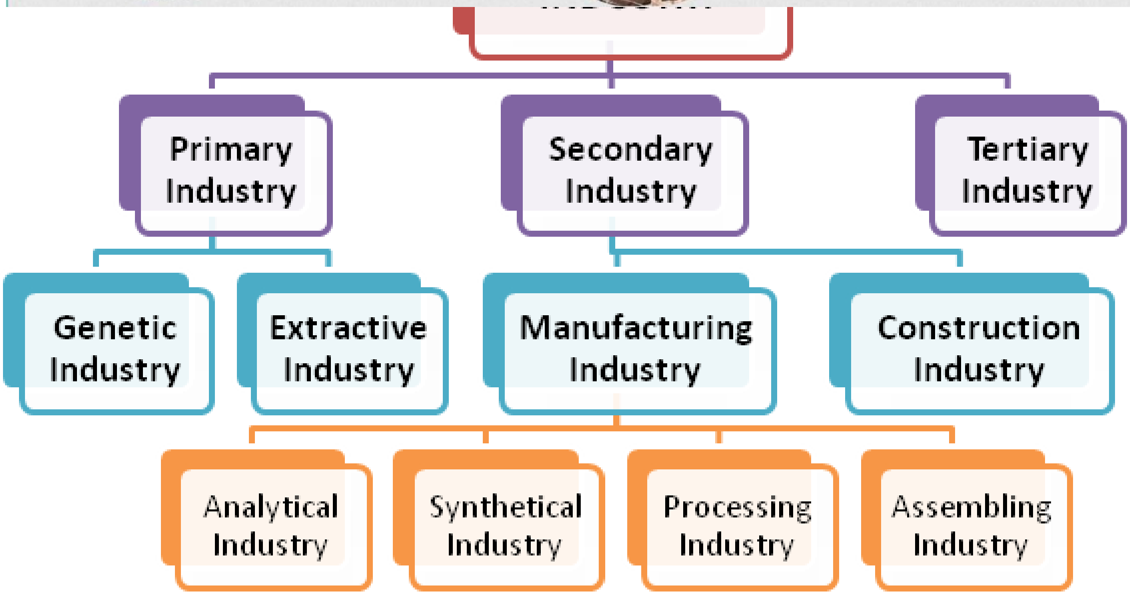
Auxiliaries/Aids to Trade

- Transport and Communication. Transportation carries goods form producers to traders and finally to consumers. ...
- Banking and Finance. ...
- Warehousing. ...
- Insurance. ...
- Advertising. ...
- Packaging.

Industry

Ever wondered where your smartphone came from? You purchased it from a shop sure, but the shopkeeper purchased it from his distributor, the distributor purchased it from the manufacturer. And, the manufacturer produced a final product, your smartphone, from the raw materials available to him. Thus, the manufacturer is the origin of your smartphone. *An industry is a group of organizations involved in producing/manufacturing or handling the same type of product and service.* So, a group of smartphone manufacturers is known as an industry.

Industry, a group of productive enterprises or organizations that produce or supply goods, services, or sources of income. In economics, industries are customarily classified as primary, secondary, and tertiary; secondary industries are further classified as heavy and light.



Co

mmerce:

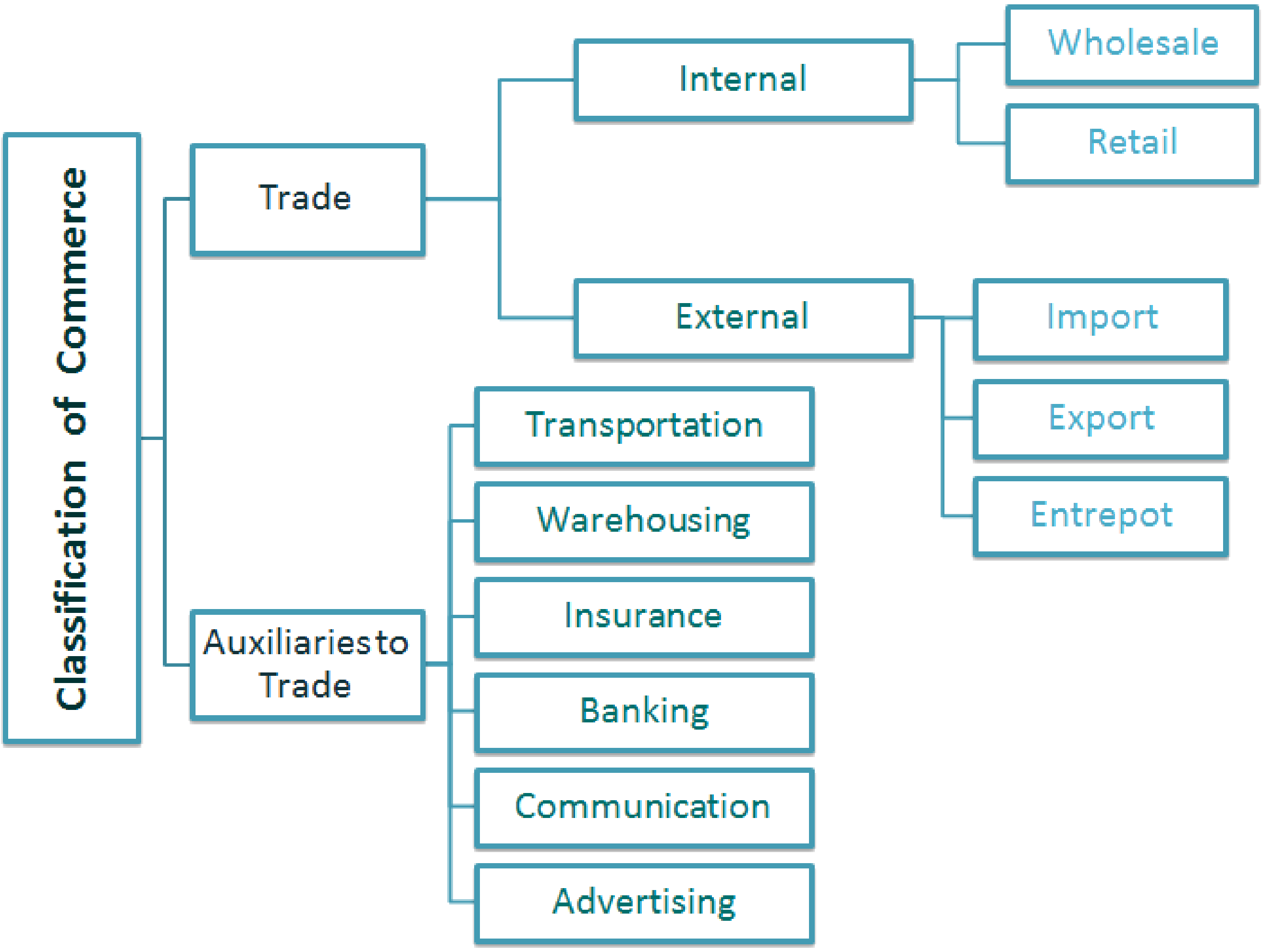
commerce includes all the activities necessary to facilitate trade, which means to deliver goods or services from manufacturers to consumers. Such activities include arranging transportation, providing banking and insurance services, promoting the products via advertising and storing the product in warehouses, etc. to complete this entire process successfully.

Once products are manufactured, or services are created, they cannot reach the customers on their own. They require the help of these above-mentioned activities for this purpose.

First, whole-sellers procure manufactured goods from producers, and then they distribute it to the local distributors or retailers. Here, transportation is critical in delivering these products.

Banking and insurance services provide the needed financial assistance to the businesses at every stage. At last, via retailers, these products reach the consumers. All these activities together form commerce.

In a nutshell, commerce is the branch of economics responsible for helping businesses to overcome the challenges of delivering goods and services to customers. No matter where the products are manufactured, commerce makes it possible to deliver it worldwide.



TEACHING SYNOPSIS

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	**KASULA KOTESWARA RAO**
Course/Group	I B.Com
Paper	**Business Organisation and Management**
Name of the Topic	**Forms of Business Organisations**
Hours Required	08 Hours
Learning Objectives	• explain features, merits and limitations of different forms of business organisations; • distinguish between various forms of organisations; and • discuss the factors determining choice of an appropriate form of business organisation.
Previous Knowledge to be reminded	*Yes reminded In intermediate level topics*
Topic Synopsis	➢ *Features,advantages and disadvantages of Sole Proprietorship* ➢ *Joint Hindu Family* ➢ *Cooperative Societies* ➢ *Features,advantages and disadvantages of Partnership Business* ➢ *Features ,advantaes and disadvantages of Joint Stock Companies* ➢ *Public Sector Enterprises* ➢ *MNC,s*
Examples / Illustrations	*Cited in internet*
Additional inputs	
Teaching Aids used	*Black Board,PPT*
References cited	*Himalaya Publishing House Book*
Student Activity Planned after the teaching	*Assignements and Quiz*
Activity planned outside the Class room ,if any	*Assigned Project Work to Visit and Prepare Different Business Organisations charts*
Any other activity	

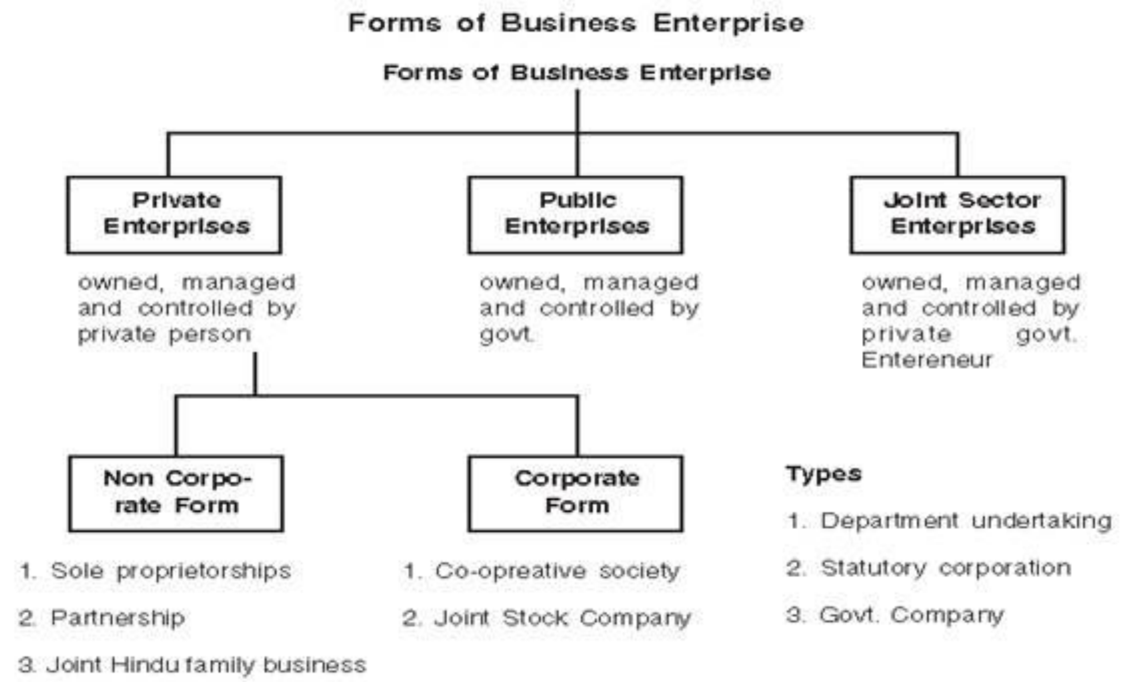
Signature of the Lecturer

Meaning

A business enterprise is an institutional arrangement to form any business activity.

Classification

On the basis of ownership business enterprises can broadly be classified into the following categories:



In case of CORPORATE FORM of private enterprises the identity of the enterprise is separate from that of the owner and in case of NON CORPORATE FORM, the identity of the enterprise is not different from that of its owners.

Sole Proprietorship

Sole proprietorship means a business owned, financed and controlled by a single person who is recipient of all profit and bearer of all risks.

It is SUITABLE IN AREAS OF PERSONALISED SERVICE like beauty parlour, hair cutting saloons & small scale activities like retail shops.

Features

1. Single ownership: It is wholly owned by one individual.
2. Control: Sole proprietor has full power of decision making.
3. No separate legal entity: Legally there is no difference between business& businessmen.
4. Unlimited liability: The liability of owner is unlimited. In case the assets of business are not sufficient to meet its debts, the personal property of owner can be used for paying debts
5. No legal formalities: Not required to start, manage and dissolve such business organization.
6. Sole risk bearer and profit recipient: He bears the complete risk and there is no body to share profit/loss with him.

Merits

1. Easy to start and close: It can be easily started and closed without any legal formalities.
2. Quick decision making: As sole trader is not required to consult or inform anybody about his decisions.

3. Sense of accomplishment: There is a sense of personal satisfaction.
4. Unlimited liability: The liability of owner is unlimited. In case the assets of business are not sufficient to meet its debts, the personal property of owner can be used for paying debts
5. No legal formalities: are required to start, manage and dissolve such business organization.
6. Sole risk bearer and profit recipient: He bears the complete risk and there is no body to share profit/loss with him.

LIMITATIONS

1. Limited financial resources: Funds are limited to the owner's personal savings and his borrowing capacity.
2. Limited Managerial ability: Sole trader can't be good in all aspects of business and he can't afford to employ experts also.
3. Unlimited liability: Ofcourse, sole trader compels him to avoid risky and bold business decisions.
4. Uncertain life: Death, insolvency, lunacy or illness of a proprietor affects the business and can lead to its closure.
5. Limited scope for expansion:- Due to limited capital and managerial skills, it cannot expand to a large scale.

SUITABILITY:

Sole tradership is suitable-

- Where the personal attention to customer is required as in tailoring, beauty parlour.
- Where goods are unstandardized like artistic jewellery.
- Where modest capital and limited managerial skills are required as in case of retail store
- Business where risk is not extensive i.e. lesser fluctuation in price and demand i.e. stationery shop.

JOINT HINDU FAMILY BUSINESS

It is owned by the members of undivided joint Hindu family and managed by the eldest member of the family known as KARTA. It is governed by the provisions of Hindu law. The basis of membership is birth in a particular family.

FEATURES

1. Formation – For a joint Hindu family business there should be at least two members in the family and some ancestral property to be inherited by them.
2. Membership by birth –
There are two systems which govern membership
Dayabhaga System- It prevails in west Bengal and allows both male and female member to co-parcencers.
Mitakshara System- It prevails all over India except West Bengal and allows only male members to be coparceners.
3. Liability – Liability of Karta is unlimited but of all other members is limited to the extent of their share in property
4. Continuity – The business is not affected by death or incapacity of Karta in such cases the next senior male member becomes the Karta.
5. Minor members – A minor can also become full fledged member of Family business.

MERITS

1. Effective control- The Karta can promptly take decisions as he has the absolute decision making power.
2. Continued business existence- The death, Lunacy of Karta will not affect the business as next eldest member will then take up the position.

3. Limited liability – The liability of all members except Karta is limited. It gives them a relief.
4. Secrecy – Complete secrecy regarding business decisions can be maintained by Karta.
5. Loyalty and Co-operation: It helps in securing better co-operation and greater loyalty from all the members who run the business.

LIMITATION

1. Limited capital: There is shortage of capital as it is limited to the ancestral property.
2. Unlimited liability of karta – It makes him less enterprising.
3. Dominance of karta – Karta manages the business and sometimes he ignores the valuable advice of other members. This may cause conflict among the members and may lead to break down of the family limit.
4. Hasty decisions: As karta is overburdened with work, he may take hasty and unbalanced decisions.
5. Limited managerial skills of karta also pose a serious problem. The Joint Hindu family business is on decline because of the diminishing no. of joint Hindu families in the country.

PARTNERSHIP

Meaning: Partnership is a voluntary association of two or more persons who agree to carry on some business jointly and share its profits and losses.

FEATURES

1. Two or more persons: There must be at least two persons to form a partnership. The maximum no. of persons is 10 in banking business and 20 in non-banking business.
2. Agreement: It is an outcome of an agreement among partners which may be oral or in writing.
3. Lawful business- It can be formed only for the purpose of carrying on some lawful business.
4. Decision making & control – Every partner has a right to participate in management & decision making of the organisations.
5. Unlimited liability – Partners have unlimited liability.
6. Mutual Agency – Every partner is an implied agent of the other partners and of the firm. Every partner is liable for acts performed by other partners on behalf of the firm.
7. Lack of continuity – Firms existence is affected by the death, Lunacy and insolvency of any of its partner. It suffers from lack of continuity.

MERITS

1. Ease of formation & closure – It can be easily formed. Only an agreement among the partners is required.
2. Larger financial resources – There are more funds as capital is contributed by no. of partners.
3. Balanced Decisions – As decisions are taken jointly by partners after consulting each other.
4. Sharing of Risks – In it, risk get distributed among partners which reduces anxiety, burden and stress on individual partner.
5. Secrecy – Secrecy can be easily maintained about business affairs as they are not required to publish their accounts or to file any report to the govt.

LIMITATIONS

1. Limited resources – There is a restriction on the number of partners and hence capital contributed by them is also limited.
2. Unlimited liability- The liability of partners is unlimited and they are liable individually as well as jointly. It may prove to be a big drawback for those partners who have greater personal wealth. They will have to repay the entire debt in case the other partners are unable to do so.
3. Lack of continuity – Partnership comes to an end with the death, retirement, insolvency or lunacy of any of its partner.

4. Lack of public confidence – Partnership firms are not required to publish their reports and accounts. Thus they lack public confidence.

TYPES OF PARTNERS

1. General / Active Partner – Such a partner takes active part in the management of the firm.

2. Sleeping or Dormant Partner – He does not take active part in the management of the firm. Though he invested money, shares profit & Loss and unlimited liability.

3. Secret Partner – He participates in business secretly without disclosing his association with the firm to general public. His liability is also unlimited.

4. Nominal Partner – Such a partner only gives his name and goodwill to the firm. He neither invests money nor takes profit. But his liability is unlimited.

5. Partner by Estoppels – He is the one who by his words or conduct gives impression to the outside world that he is a partners of the firm whereas actually he is not. His liability is unlimited towards the third party who has entered into dealing with firm on the basis of his pretensions.

6. Partner by holding out – He is the one who is falsely declared partner of the firm whereas actually he is not. And even after becoming aware of it, he-does not deny it. His liability is unlimited towards the party who has deal with firm on the basis of this declaration.

Minor as a Partner

A minor is a person who has not attained the age of 18 years. Since a minor is not capable of enlarging into a valid agreement. He cannot become partner of firm. However, a minor can be admitted to the benefits of an existing partnership firm with the mutual consent of all other partners. He cannot be asked to bear the losses. His liability will be limited to the exilent of the capital contributed by him. He will not be eligible to take an active part in the management of the firm.

Types of Partnership

A. Classification on the Basics of Duration

Partnership at will- This type of partnership exists at the will of partners.

Particular Partnership-This type of partnership is formed for a specified June period to accomplish a particular project (consolation of building)

B. Classification on the basis of Liability

General partnership-This liability of partners is limited and joint. Registration of firm is optional.

Limited Partnership-The liability of at least one partner is unlimited whereas the other partners may have limited.

Registration of firm is compulsory.

PARTNERSHIP DEED

The written agreement on a stamped paper which specifies the terms and conditions of partnership is called the partnership deed.

It generally includes the following aspects –

- Name of the firm
- Location / Address of the firm
- Duration of business.
- Investment made by each partner.
- Profit sharing ratio of the partners
- Terms relating to salaries, drawing, interest on capital and interest on drawing of partners.
- Duties & obligations of partners.
- Terms governing admission, retirement & expulsion of a partner, preparation on of accounts & their

auditing.
• Method of solving dispute

REGISTRATION OF PARTNERSHIP

Registration is not compulsory it is optional. But it is always beneficial to get the firm registered. The consequences of non-registration of a firm are as follows:

• A partner of an unregistered firm cannot file suit against the firm or the partner.

• The firm cannot file a suit against third party.

• The firm cannot file a case against its partner.

Co-operative Society

A co-operative society is a voluntary association of persons of moderate means who unite together to protect & promote their common economic interests.

FEATURES

1. Voluntary association: Every one having a common interest is free to join a co-operative society and can also leave the society after giving proper notice.
2. Legal status: Its registration is compulsory and it gives it a separate legal identity.
3. Limited liability: The liability of the member is limited to the extent of their capital contribution in the society.
4. Democratic control: Management & Control lies with the managing committee elected by the members by giving vote. Every member has one vote irrespective of the number of shares held by him.
5. Service motive: The main aim is to serve its members and not to maximize the profit.
6. Bound by govt.'s rules: They have to be tide by the rules and regulations framed by govt. for them.
7. Distribution of surplus: The profit is distributed on the basis of volume of business transacted by a member and not on the basis of capital contribution of members.

MERITS

1. Excise of formation: It can be started with minimum of 10 members. Registration is also easy as it requires very few legal formations.
2. Limited Liability: The liability of members is limited to the extent of their capital contribution.
3. Stable existence: Due to registration it is a separate legal entity and is not affected by the death, luxury or insolvency of any of its member.
4. Economy in operations: Due to elimination of middlemen and voluntary services provided by its members.
5. Government Support: Govt. provides support by giving loans at lower interest rates, subsidies & by charging less taxes.
6. Social utility: It promotes personal liberty, social justice and mutual cooperation. They help to prevent concentration of economic power in few hands.

LIMITATIONS

1. Shortage of capital – It suffers from shortage of capital as it is usually formed by people with limited means.
2. Inefficient management – Co-operative society is managed by elected members who may not be competent and experienced. Moreover, it can't afford to employ expert and experienced people at high salaries.
3. Lack of motivation – Members are not inclined to put their best efforts as there is no direct link between efforts and reward.
4. Lack of Secrecy – Its affairs are openly discussed in its meeting which makes it difficult to maintain secrecy.
5. Excessive govt. control – it suffers from excessive rules and regulations of the govt. It has to get its accounts audited by the auditor and has to submit a copy of its accounts to registrar.
6. Conflict among members – The members are from different sections of society with different viewpoints. Sometimes when some members become rigid, the result is conflict.

TYPES OF CO-OPERATIVE SOCIETIES

1. Consumers co-operative Society – It formed to protect the interest of consumers.It seeks to eliminate middleman by establishing a direct link with the producers. It purchases goods of daily consumption directly from manufacturer or wholesalers and sells them to the members at reasonable prices.
2. Producer's Co-operative Society – The main aim is to help small producers who cannot easily collect various items of production and face some problem in marketing. These societies purchase raw materials, tools, equipments and other items in large quantity and provide these things to their members at reasonable price.
3. Marketing Co-operative Society – It performs various marketing function such as transportation, warehousing, packing, grading, marketing research etc. for the benefit of its members. The production of different members is pooled together and sold by society at good price.
4. Farmer's Co-operative Society – In such societies, small farmers join together and pool their resources for cultivating their land collectively. Such societies provide better quality seeds, fertilizers, machinery and other modern techniques for use in the cultivation of crops. It provides them opportunity of cultivation on large scale.
5. Credit co-operative Society – Such societies protect the members from exploitation by money lenders. They provide loans to their members at easy terms and reasonably low rate of interest.
6. Co-operative Housing Society – The main aim is to provide houses to people with limited means/income at reasonable price.

JOINT STOCK COMPANY

Meaning – Joint stock company is a voluntary association of persons for profit, having a capital divided into transferable shares, the ownership of which is the condition of membership.

FEATURES

1. Incorporated association – The company must be incorporated or registered tender the companies Act 1956. Without registration no company can come into existence.
2. Separate Legal Existence – It is created by law and it is a distinct legal entity independent of its members. It can own property, enter into contracts, can file suits in its own name.
3. Perpetual Existence – Death, insolvency and insanity or change of members as no effect on the life of a company. It can come to an end only through the prescribed legal procedure.

4. Limited Liability – The liability of every member is limited to the nominal value of the shares bought by him or to the amt. guaranteed by him. Transferability of shares – Shares of public Co. are easily transferable. But there are certain restrictions on transfer of share of private Co. Common Seal- It is the official signature of the company and it is affixed on all important documents of company.
5. Separation of ownership and control – Management of company is in the hands of elected representatives of shareholders known individually as director and collectively as board of directors.

MERITS

1. Limited Liability – Limited liability of shareholder reduces the degree of risk borne by him.
2. Transfer of Interest – Easy transferability of shares increases the attractiveness of shares for investment.
3. Perpetual Existence – Existence of a company is not affected by the death, insanity, Insolvency of member or change of membership. Company can be liquidated only as per the provisions of companies Act.

4. Scope for expansion – A company can collect huge amount of capital from unlimited no. of members who are ready to invest because of limited liability, easy transferability and chances of high return.
5. Professional management – A company can afford to employ highly qualified experts in different areas of business management.

LIMITATIONS

1. Legal formalities – The procedure of formation of Co. is very long, time consuming, expensive and requires lot of legal formalities to be fulfilled.
2. Lack of secrecy – It is very difficult to maintain secrecy in case of public company, as company is required to publish and file its annual accounts and reports.
3. Lack of Motivation – Divorce between ownership and control and absence of a direct link between efforts and reward lead to lack of personal interest and incentive.
4. Delay in decision making – Red papism and bureaucracy do not permit quick decisions and prompt actions. There is little scope for personal initiative.
5. Oligarchic management – Co. is said to be democratically managed but actually managed by few people i.e. board of directors. Sometimes they take decisions keeping in mind their personal interests and benefit, ignoring the interests of shareholders and Co.

TYPES OF COMPANIES

On the basis of ownership, companies can be divided into two categories – Private & Public.

PUBLIC SECTOR ENTERPRISES

A government-owned enterprise, a government-owned corporation, a statutory corporation and a nationalised company in India is called a **Public Sector Undertaking** (**PSU**) or a **Public Sector Enterprise**. These establishments are wholly or partly owned by the government of India or one of the many state or territorial governments or both together in parts. Gazetted officers work as officers in these entities and their subsidiaries. The employees subordinate to the officers working for these respective entities and their subsidiaries are full-fledged government employees. The majority of stocks of these establishments are owned by the government. These are classified as **Central Public Sector Undertaking** (**CPSU**, **CPSE**), which are wholly or partly owned by government of India or **State Level Public Sector Undertaking** (**SLPSU**, **SLPSE**), which are wholly or partly owned by state or territorial governments.

PUBLIC ENTERPRISES

Departmental Undertakings

Example
1. Posts & Telegraph
2. Railways
3. All India Radio (AIR)
4. DoorDarshan (TV)
5. Ordnance Factories

Statutory Corporations

Example
1. Food Corporation of India
2. Industrial Finance Corporation of India
3. Life Insurance Corporation of India
4. Unit Trust of India
5. State Trading Corporation

Government Companies

Example
1. Hindustan Machine Tools Limited
2. Steel Authority of India Limited
3. Hindustan Shipyard Limited

MULTI NATIONAL CORPORATIONS

The full form of MNC is the **Multinational Corporation**. MNC relates to a corporation that operates from one nation in which it is headquartered and operates in two or more countries. It is often referred to as a stateless corporation, MNE (multinational enterprise) or transnational corporation. An MNC could have branches and industries in various countries, but it typically has its head office or headquarters in the place or country of origin.

- The East India Company could be regarded as one of the first MNCs in the 17th century who visit India.
- There is a range of well-known MNCs around the modern world, including Apple Inc, Microsoft, Coca Cola, Samsung, Pepsi Co, Infosys, & Nike Inc., and so on.
- Some notable benefits of an MNC are that it spends tremendous resources in the host nation and implements new or updated technology.
- It manufactures goods on a wide scale following international standards and also focused on the industrial producing goods and services, that effectively minimises manufacturing costs.
- It enables MNC to provide the citizens of the host nation with goods or services at fair rates.
- It leads to government income by paying income tax as well as numerous other taxes, such as It leads to government income by paying income tax as well as multiple other taxes, such as export duty or GST.

features of an MNC are explained below:

- 1. International operations: Global MNCs run their foreign operations by establishing branches or subsidiary companies in host countries.
- 2. Giant size: MNCs have huge basis of assets and revenues because of their huge size operations spread in a number of countries.
- 3. Centralised control: MNCs have a centralised control system. All the decisions for subsidiaries or branches are taken by the headquarters of MNCs. Headquarter of MNCs exercise control over their foreign subsidiaries.
- 4. Modern technology and management practices: Most of the MNCs compete in the international markets on the basis of their modern technology and efficient management practices. In fact, these global enterprises are sources of the spread of modern technology and management practices in the world.

TEACHING SYNOPSIS

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	**KASULA KOTESWARA RAO**
Course/Group	I B.Com
Paper	**Business Organisation&Management**
Name of the Topic	**Company Incorporation**
Hours Required	08 Hours
Learning Objectives	• specify the important stages in the formation of a company; • describe the steps involved in each stage of company formation; • specify the documents to be submitted to the registrar of companies; and • state the need of certificate of incorporation and certificate to commence business.
Previous Knowledge to be reminded	*Different Documents Maintained at the stage of Company Incorporation*
Topic Synopsis	➢ *Stages of Promotion of a Company* ➢ *Promotion* ➢ *Incorporation/Registration* ➢ *Memorandum of Association* ➢ Articles of Association ➢ Contents of Documents
Examples / Illustrations	*Cited in internet for proformas of Documents*
Additional inputs	
Teaching Aids used	*Block Board,PPT*
References cited	*Himalaya Publishing House Text Book*
Student Activity Planned after the teaching	*Assignements*
Activity planned outside the Class room ,if any	*Assigned Work to Preparing Charts Different Documents of Corporation*
Any other activity	

Signature of the Lecturer

FORMATION OF A COMPANY

Formation of a company means bringing a company into existence and starting its business. The steps involved in the formation of a company are:

(i) Promotion
(ii) Incorporation
(iii)Capital subscription
(iv) Commencement of business.
A private company has to undergo only first two steps but a public company has to undergo all the four stages.

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1. Promotion:

Promotion means conceiving a business opportunity and taking an initiative to form a company.

Step in Promotion:
1. Identification of Business Opportunity : The first and foremost function of a promoter is to identify a business idea e.g. production of new product or service.
2. Feasibility Studies: After identifying a business opportunity the promoters undertake detailed studies of technical, Financial, Economic feasibility of a business.
3. Name Approval: After selecting the name of company the promotors submit an application to the Registrar of companies for its approval.
4. Fixing up signatories to the Memorandum of Association: Promotors have to decide about the director who will be signing the memorandum of Association.
5. Appointment of professional: Promoters appoint merchant bankers, auditors etc.
6. Preparation of necessary documents: The promoters prepare certain legal documents such as memorandum of Association, Articles of Association which have to be submitted to the Registrar of the companies.

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2. Incorporation

Incorporation means registration of the company as body corporate under the companies Act 1956 and receiving certificate of Incorporation.

Steps for Incorporation
1. Application for incorporation: Promoters make an application for the incorporation of the company to the Registrar of companies.
2. Filing of necessary documents: Promoters files the following documents:
(i) Memorandum of Association.
(ii) Articles of Association.
(iii) Statement of Authorized Capital
(iv) Consent of proposed director.
(v) Agreement with proposed managing director.
(vi) Statutory declaration.

3. Payment of fees: Along with filing of above documents, registration fee has to be deposited which depends on amount of the authorized capital.

4. Registration: The Registrar verifies all the document submitted. If he is satisfied then he enters the name of the company in his Register.
5. Certificate of Incorporation: After entering the name of the company in the register. The Registrar issues a Certificate of Incorporation. This is called the birth certificate of the company.

III. Capital Subscription:

A public company can raise funds from the public by issuing shares and Debentures. For this it has to issue prospectus and undergo various other formalities:

Step required for raising funds from public:

1. SEBI Approval: SEBI regulates the capital market of India. A public company is required to take approval from SEBI.
2. Filing of Prospectus: Prospectus means any documents which invites offers from the public to purchase share and Debenture of the company.
3. Appointment of bankers, brokers, underwriters: Banker of the company receive the application money. Brokers encourage the public to apply for the shares, underwriters are the person who undertake to buy the shares if these are not subscribed by the public. They receive a commission for underwriting.
4. Minimum subscription: According to the SEBI guide lines minimum subscription is 90% of the issue amount. If minimum subscription is not received then the allotment cannot be made and the application money must be returned to the applicants within 30 days.
5. Application to Stock Exchange: It is necessary for a public company to list their shares in the stock exchange therefore the promoters apply in stock exchange to list company shares.
6. Allotment of Shares: Allotment of shares means acceptance of share applied. Allotment letters are issued to the shareholders. The name and address of the shareholders submitted to the Registrar.

IV. COMMENCEMENT OF BUSINESS:

To commence business a public company has to obtain a certificate of commencement of Business. For this the following documents have to be filled with the registrar of companies.

1. A declaration that 90% of the issued amount has been subscribed.
2. A declaration that all directors have paid in cash in respect of allotment of shares made to them.
3. A statutory declaration that the above requirements have been completed and must be signed by the director of company.

Important documents used in the formation of company:
1. Memorandum of Association – It is the principal document of a company. No company can be registered without a memorandum of association and that is why it is sometimes called a life giving document.

Contents of Memorandum of Association:

1. Name clauses – This clause contains the name of the company. The proposed name should not be identicator similar to the name of another exiting company.
2. Situation clauses – This clause contains the name of the state in which the registered office of the company is to be situated.
3. Object clause – This clause defines the objective with which the company is formed. A company is not legally entitled to do any business other than that specified in the object clause.

4. Liability Clauses – This clause limits the liability of the members to the amount unpaid on the shares held by them.
5. Capital clause – This clause specifies the maximum capital which the company will be authorized to raise tough the issue of shares called authorized capital.

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2. Articles of Association:

The articles of Association are the rules for the internal management of the affairs of a company the articles defines the duties, rights and powers of the officers and the board of directors.

Contents of the Article:
1. The amount of share capital and different classes of shares.
2. Rights of each class of shareholders.
3. Procedure for making allotment of shares.
4. Procedure for issuing share certificates.
5. Procedure for forfeiture and reissue of forfeited shares.
6. Rules regarding casting of votes and proxy voting
7. Procedure for selection and removal of directors
8. Dividend declaration and payment related rules
9. Procedure for capital readjustment
10. Procedure regarding winding up of the company.

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2. Prospectus:

Prospectus means any document which invites deposits from the public to purchase share or debentures of a company.

Main contents of the Prospectus:
1. Company's name and the address of its registered office.
2. The main object of the company
3. The number and classes of shares.
4. Qualification shares of the directors
5. The name and addresses of the directors, managing director or manager.
6. The minimum subscription which is 90% of the size of the issue.
7. The time of opening and closing of the subscription list.
8. The amt. payable on the application and allotment of each class of share.
9. Underwriters to the issue.
10. Merchant bankers to the issue.

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2. Statement is Lieu of Prospectus:
A public company having a share capital may sometimes decide not to raise funds from the public because it may be confident of obtaining the required capital privately. In such case it will have to tile

a statement in lieu of prospectus with the Registrar of companies. It Contains information much similar to that of a prospectus.

CHOICE OF FORM OF BUSINESS ORGANISATION
The following factors are important for taking decision about form of organization:

1. Cost and ease in setting up the organization: Sole proprietorship is least expensive and can be formed without any legal formalities to be fulfilled. Company is also expensive with lot of legal formalities.
2. Capital consideration: Business requiring less amount of finance prefer sole proprietorship & partnership form, where as business activities requiring huge financial resonances prefer company form.
3. Nature of business: If the work requires personal attention such as tailoring unit, cutting saloon, it is generally setup as a sole proprietorship. Unit engaged in large scale manufacturing are more likely to be organized in company form.
4. Degree of control desired: A person who desires full and exclusive control over business prefers proprietorship rather than partnership or company because control has to be shared in these cases.
5. Liability or Degree of Risk: Projects which are not very risky can be organized in the form of sole proprietorship partnership whereas the risky ventures should be done in company form of organization because the liability of shareholders is limited.

Step 1	Selection of the type of a company
Step 2	Preliminary Requirements
Step 3	Reservation of Name
Step 4	Preparation of the Memorandum of Association and Articles of Association
Step 5	Filing of the documents with the Registrar of companies
Step 6	Certificate of Incorporation and allotment of Corporate Identity Number
Step 7	Effect of Registration
Step 8	Commencement of business

(THE COMPANIES ACT, 1956)

(COMPANY LIMITED BY SHARES)

A R T I C L E S O F A S S O C I A T I O N

OF

ABCD PRIVATE LIMITED

PRELIMINARY

1. Subject as hereinafter provided the Regulations contained in Table 'A' in the First Schedule to the Companies Act, 1956 shall apply to the Company.

INTERPRETATION

2. (1) In these Regulations :-

(a) "Company" means **XX**

(b) "Office" means the Registered Office of the Company.

(c) "Act" means the Companies Act, 1956, and any statutory modification thereof.

(d) "Seal" means the Common Seal of the Company.

(e) "Directors" means the Directors of the Company and includes persons occupying the position of the Directors by whether names called.

(2) Unless the context otherwise requires words or expressions contained in these Articles shall be the same meaning as in the Act, or any statutory modification thereof in force at the date at which these Articles become binding on the Company.

PRIVATE COMPANY

3. The Company is a Private Company within the meaning of Section 3(1) (iii) and 2(35) of the Companies Act, 1956 and accordingly: -

(a) The right to transfer shares in the Company is restricted in the manner and to the extent hereinafter appearing

(b) The number of members of the Company (exclusive of persons who are in the employment of the Company, and persons who having been formerly in the employment of the Company, were members of the Company while in the employment and have continued to be members after the employment ceased) shall be limited to fifty; provided that for the purpose of this definition where two or more persons jointly hold one or more shares in the Company, the shall, be treated as a single member, and.

(c) No invitation shall be issued to the public or subscribe for any shares in or debentures of the Company.

(d) Prohibits any invitation or acceptance of deposits from persons other than its members, directors and relatives.

प्रारुप 1

पंजीकरण प्रमाण–पत्र

कॉर्पोरेट पहचान संख्या : U72200DL2010PTC212030 2010 - 2011

मैं एतदद्वारा सत्यापित करता हूँ कि मैसर्स

RMA TECHNOLOGIES PRIVATE LIMITED

का पंजीकरण, कम्पनी अधिनियम 1956 (1956 का 1) के अंतर्गत आज किया जाता है और यह कम्पनी प्राइवेट लिमिटेड है।

यह निगमन–पत्र आज दिनांक इकतीस दिसम्बर दो हजार दस को मेरे हस्ताक्षर से दिल्ली में जारी किया जाता है।

Form 1

Certificate of Incorporation

Corporate Identity Number : U72200DL2010PTC212030 2010 - 2011

I hereby certify that RMA TECHNOLOGIES PRIVATE LIMITED is this day incorporated under the Companies Act, 1956 (No. 1 of 1956) and that the company is private limited.

Given under my hand at Delhi this Thirty First day of December Two Thousand Ten

.

(ANITA KLAIR)

सहायक कम्पनी रजिस्ट्रार / Assistant Registrar of Companies

राष्ट्रीय राजधानी क्षेत्र दिल्ली एवं हरियाणा

National Capital Territory of Delhi and Haryana

कम्पनी रजिस्ट्रार के कार्यालय अभिलेख में उपलब्ध पत्राचार का पता :

Mailing Address as per record available in Registrar of Companies office:

RMA TECHNOLOGIES PRIVATE LIMITED
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TEACHING SYNOPSIS

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	**KASULA KOTESWARA RAO**
Course/Group	I B.Com
Paper	**Business Organisation&Management**
Name of the Topic	**Management**
Hours Required	08 Hours
Learning Objectives	➢ Describe the characteristics of management and its importance in an organisation; ➢ Explain the nature of management as an art, science and profession; ➢ Explain the functions of management; and ➢ Appreciate the nature and importance of coordination. ➢ To Know the Principles of Management
Previous Knowledge to be reminded	*Explained Principles of Management*
Topic Synopsis	➢ *Definitions and Meaning of Management* ➢ *Characteristics of Management* ➢ *Is Management As Art and Science* ➢ *Fayol's 14 Principles of Management* ➢ *Administration v\s Management* ➢ *Levels of Management*
Examples / Illustrations	
Additional inputs	
Teaching Aids used	*Block Board,PPT*
References cited	*Himalaya Publishing House Text Book*
Student Activity Planned after the teaching	*Quiz*
Activity planned outside the Class room ,if any	*Students Assignement*
Any other activity	

Signature of the Lecturer

Introduction

Management is universal in the modern industrial world and there is no substitute for good management. It makes human effects more productive and brings better technology, products and services to our society. It is a crucial economic resource and a life giving element in business. Without proper management, the resources of production (men, machines and materials, money) can not be converted into production. Thus management is a vital function concerned with all aspects of the working of an organization.

Management is a must to accomplish desired goals through group action. It is essential to convert the disorganized resources of men, machines, materials and methods into a useful and effective enterprise.

Thus management is the function of getting things done through people and directing the efforts of individuals towards a common objective.

Meaning and Definitions of Management:

Management is the art of maximizing efficiency, as a social process, a method of getting things done through others a plan of action and its direction by a co-operative group moving towards a common goal. Effective utilisation of available resources to achieve same objective is management.

Management is a comprehensive function of Planning, Organising, Forecasting Coordinating, Leading, Controlling, Motivating the efforts of others to achieve specific objectives. Management can precisely be called the rule – making and rule – enforcing body.

Definitions :

According to Harold Koontz " Management is the art of getting things done through and with formally organized groups ".

According to Peter F. Drucker. " A Multipurpose organ that manages a business and manages managers and manages workers and works ".

According to J.Lundy " Management is what management does. It is the task of planning executing and controlling ".

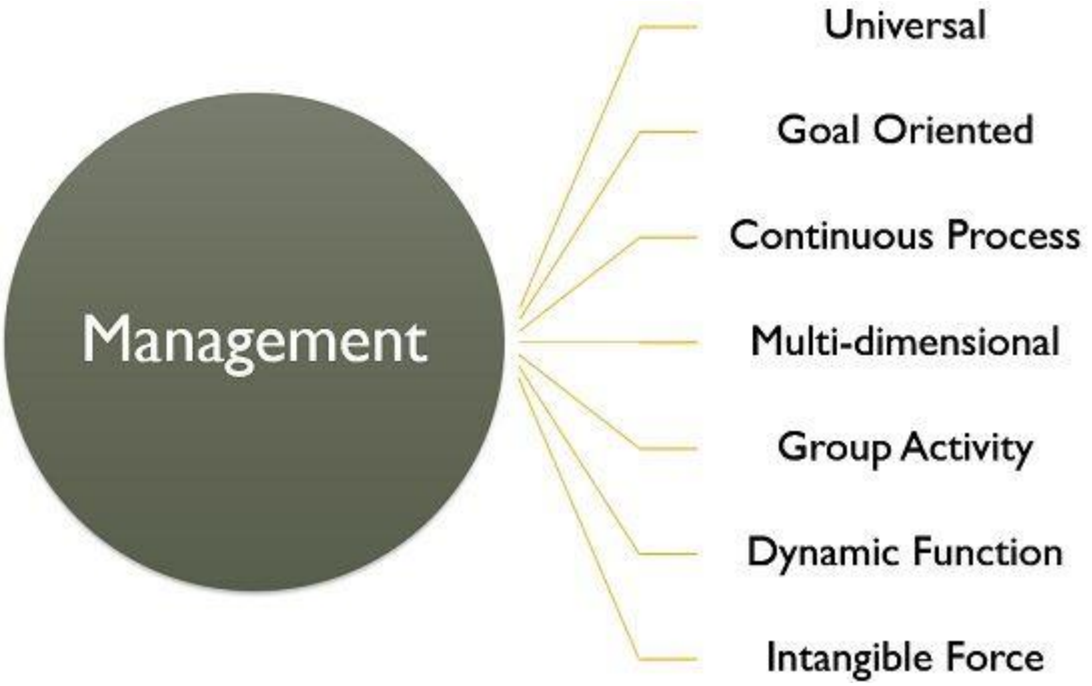
According to Lawrence Appley " Management is the development of people and not the direction of things ".

Definition: Management can be defined as the **process of administering and controlling the affairs of the** organization, irrespective of its nature, type, structure and size. It is an act of creating and maintaining such a business environment wherein the members of the organization can work together, and achieve business objectives efficiently and effectively.

Management acts as a guide to a group of people working in the organization and coordinating their efforts, towards the attainment of the common objective.

In other words, it is concerned with **optimally using 5M's, i.e. men, machine, material, money and methods** and, this is possible only when there proper direction, coordination and integration of the processes and activities, to achieve the desired results.

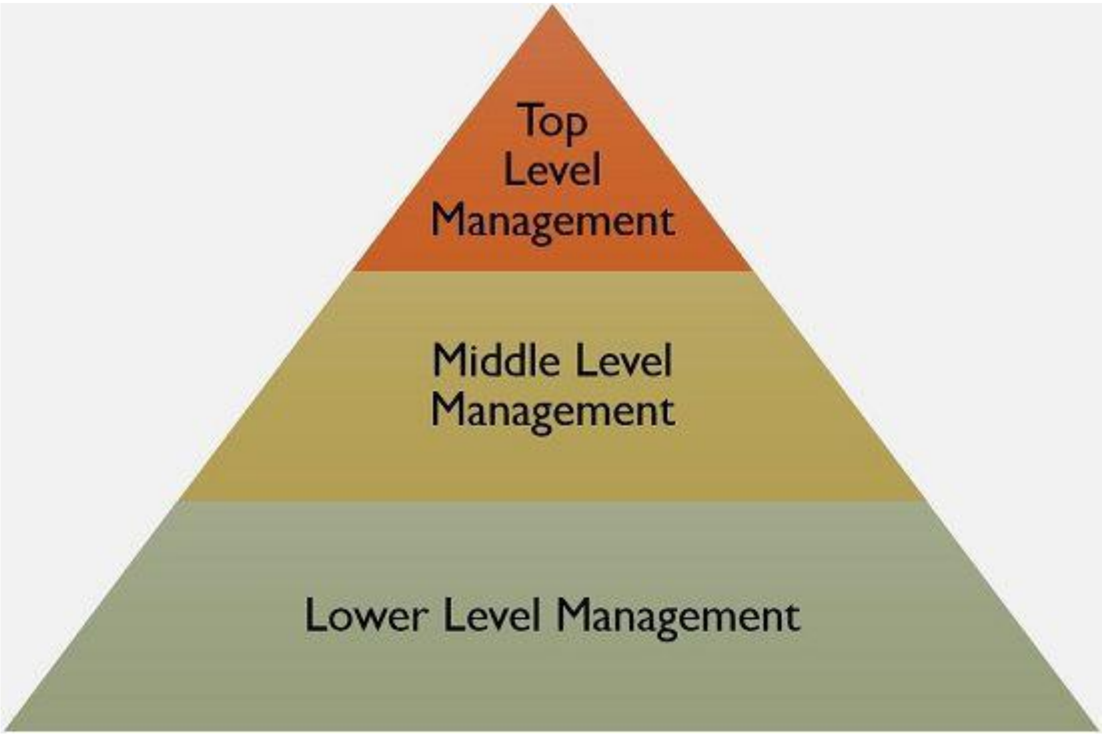
Characteristics of Management



- **Universal**: All the organizations, whether it is profit-making or not, they require management, for managing their activities. Hence it is universal in nature.
- **Goal-Oriented**: Every organization is set up with a predetermined objective and management helps in reaching those goals timely, and smoothly.
- **Continuous Process**: It is an ongoing process which tends to persist as long as the organization exists. It is required in every sphere of the organization whether it is production, human resource, finance or marketing.
- **Multi-dimensional**: Management is not confined to the administration of people only, but it also manages work, processes and operations, which makes it a multi-disciplinary activity.
- **Group activity**: An organization consists of various members who have different needs, expectations and beliefs. Every person joins the organization with a different motive, but after becoming a part of the organization they work for achieving the same goal. It requires supervision, teamwork and coordination, and in this way, management comes into the picture.
- **Dynamic function**: An organization exists in a business environment that has various factors like social, political, legal, technological and economic. A slight change in any of these factors will affect the organization’s growth and performance. So, to overcome these changes management formulates strategies and implements them.
- **Intangible force**: Management can neither be seen nor touched but one can feel its existence, in the way the organization functions.

Precisely, all the functions, activities and processes of the organization are interconnected to one another. And it is the task of the management to bring them together in such a way that they help in reaching the intended result.

Levels of Management



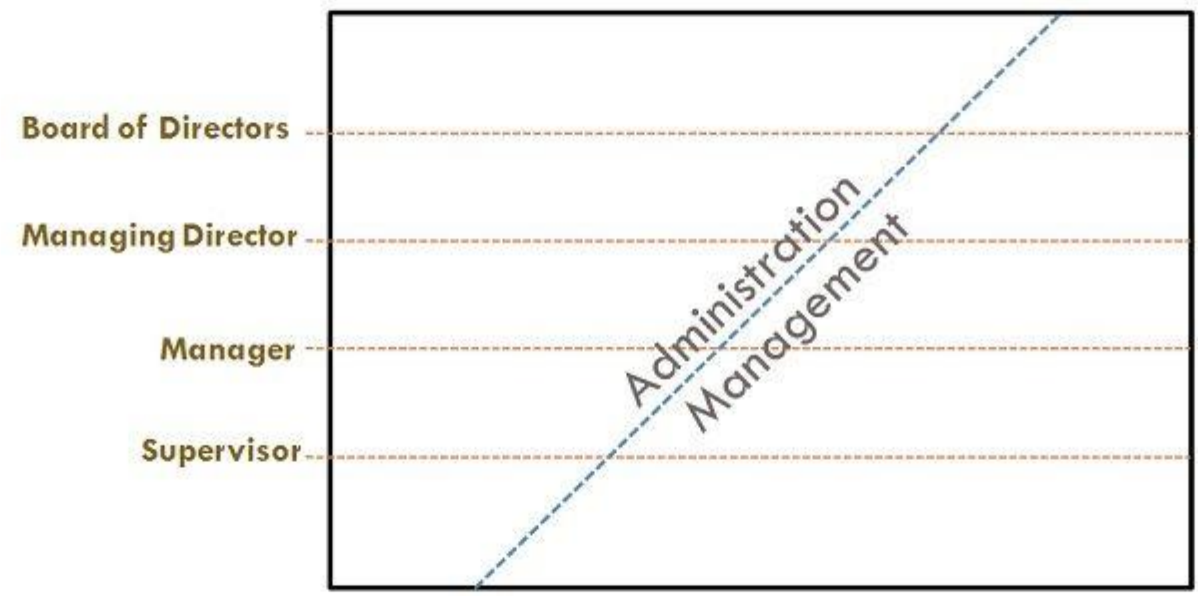
1. **Top-Level Management**: This is the highest level in the organizational hierarchy, which includes **Board of Directors and Chief Executives**. They are responsible for defining the objectives, formulating plans, strategies and policies.
2. **Middle-Level Management**: It is the second and most important level in the corporate ladder, as it creates a link between the top and lower-level management. It includes **departmental and division heads and managers** who are responsible for implementing and controlling plans and strategies which are formulated by the top executives.
3. **Lower Level Management**: Otherwise called as functional or operational level management. It includes **first-line managers, foreman, supervisors**. As lower-level management directly interacts with the workers, it plays a crucial role in the organization because it helps in reducing wastage and idle time of the workers, improving the quality and quantity of output.

The three management levels form the management hierarchy, that represents the position and rank of executives and managers in the chart.

Functions of Management

- **Planning**: It is the first and foremost function of management, i.e. to decide beforehand what is to be done in future. It encompasses formulating policies, establishing targets, scheduling actions and so forth.
- **Organizing**: Once the plans are formulated, the next step is to organise the activities and resources, as in identifying the tasks, classifying them, assigning duties to subordinates and allocating the resources.
- **Staffing**: It involves hiring personnel for carrying out various activities of the organization. It is to ensure that the right person is appointed to the right job.
- **Directing**: It is the task of the manager to guide, supervise, lead and motivate the subordinates, to ensure that they work in the right direction, so far as the objectives of the organization are concerned.
- **Controlling**: The controlling function of management involves a number of steps to be taken to make sure that the performance of the employees is as per the plans. It involves establishing performance standards and comparing them with the actual performance. In case of any variations, necessary steps are to be taken for its correction.

Administrative v/s Management



Management v/s Administration

Both management and administration are crucial to the growth of an organization.

Management relates to conducting, controlling and taking charge of the course of action. The word "management" comes from the word "manes" which means "to control by hand". It is a middle level activity.

Management involves the achievement of results for which the responsibility pays the manager.

Management also includes involving organization to achieving objectives with maximum efficiency and responsibility for the result.

Management is the act or function of putting into practice the policies and plans decided upon by the administration.

Management is inferior to administration, and is focused on motivating and controlling functions as well as technical abilities and human resources abilities. It deals with employees.

Administration relates to managing of different things.The word "administration" comes from word "*minor*" and "*ministrare*" which means " to serve" and " to govern" accordingly. It is a top level activity, above the management. It deals with executive and strategic work. Thus, it must incorporate both leadership and vision

Administrating means directing, superintending the execution, using or conducting of various things. It means, that administration involves setting and following instructions and service. Which relates to setting up objectives and crucial policies of every organization.

The administration is focused on the planning and organizing of functions as well as administrative qualities.

So, in summary:

Both administration and management are key managerial activities in the company. Administration sets up plans and strategy which are executed in the management process. Administration is a decision-making function, while management is an executive function. Management is focused on "doing" because managers get work done under their supervision, while the administration is focused on "thinking" because it is determining the plans and policies.

Henri Fayol 14 Principles of Management

Henry Fayol, also known as the ‘father of modern management theory’ gave a new perception of the concept of management. He introduced a general theory that can be applied to all levels of management and every department. The Fayol theory is practised by the managers to organize and regulate the internal activities of an organization. He concentrated on accomplishing managerial efficiency.

The fourteen principles of management created by Henri Fayol are explained below.

1. Division of Work-

Henri believed that segregating work in the workforce amongst the worker will enhance the quality of the product. Similarly, he also concluded that the division of work improves the productivity, efficiency, accuracy and speed of the workers. This principle is appropriate for both the managerial as well as a technical work level.

2. Authority and Responsibility-

These are the two key aspects of management. Authority facilitates the management to work efficiently, and responsibility makes them responsible for the work done under their guidance or leadership.

3. Discipline-

Without discipline, nothing can be accomplished. It is the core value for any project or any management. Good performance and sensible interrelation make the management job easy and comprehensive. Employees good behaviour also helps them smoothly build and progress in their professional careers.

4. Unity of Command-

This means an employee should have only one boss and follow his command. If an employee has to follow more than one boss, there begins a conflict of interest and can create confusion.

5. Unity of Direction-

Whoever is engaged in the same activity should have a unified goal. This means all the person working in a company should have one goal and motive which will make the work easier and achieve the set goal easily.

6. Subordination of Individual Interest-

This indicates a company should work unitedly towards the interest of a company rather than personal interest. Be subordinate to the purposes of an organization. This refers to the whole chain of command in a company.

7. Remuneration-

This plays an important role in motivating the workers of a company. Remuneration can be monetary or non-monetary. However, it should be according to an individual’s efforts they have made.

8. Centralization-

In any company, the management or any authority responsible for the decision-making process should be neutral. However, this depends on the size of an organization. Henri Fayol stressed on the point that there should be a balance between the hierarchy and division of power.

9. Scalar Chain-

Fayol on this principle highlights that the hierarchy steps should be from the top to the lowest. This is necessary so that every employee knows their immediate senior also they should be able to contact any, if needed.

10. Order-

A company should maintain a well-defined work order to have a favourable work culture. The positive atmosphere in the workplace will boost more positive productivity.

11. Equity-

All employees should be treated equally and respectfully. It’s the responsibility of a manager that no employees face discrimination.

12. Stability-

An employee delivers the best if they feel secure in their job. It is the duty of the management to offer job security to their employees.

13. Initiative-

The management should support and encourage the employees to take initiatives in an organization. It will help them to increase their interest and make then worth.

14. Esprit de Corps-

It is the responsibility of the management to motivate their employees and be supportive of each other regularly. Developing trust and mutual understanding will lead to a positive outcome and work environment.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	I B.Com
Paper	**Banking Theory and Practices**
Name of the Topic	**Introduction**
Hours Required	8 Hours
Learning Objectives	➢ Understand the basic concepts of banks and functions of commercial banks. ➢ Demonstrate an awareness of law and practice in a banking context. ➢ Engage in critical analysis of the practice of banking law. ➢ Critically examine the current scenario of Indian Banking system. ➢ Formulate the procedure for better service to the customers from various banking innovations.
Previous Knowledge to be reminded	*Yes, Reminded*
Topic Synopsis	➢ Meaning & Definition of Bank ➢ Functions of Commercial Banks ➢ Credit Creation Process with Examples ➢ Kinds of Banks ➢ Central Banking vs. Commercial Banking.
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Kalyani Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

Signature of the Lecturer

Meaning of a Bank

A bank is a financial institution that accepts deposits from customers and uses those funds to make loans, investments, and other financial transactions. The primary function of a bank is to act as a financial intermediary between those who have excess funds (depositors) and those who need funds (borrowers).

Definitions of a Bank:

R P Kent defined, "Bank is a financial institution which acts as an intermediary and deals in loans and advances".

P A Samuelson defined, "Bank provides service to its clients and in turn receives perquisites in different forms

Functions of Commercial Banks:

The primary functions of commercial banks are to accept deposits from customers and provide loans and other financial services to individuals, businesses, and governments. Here are some of the main functions of commercial banks:

1. **Accepting deposits**
2. **Lending money**
3. **Issuing credit card**
4. **Foreign exchange services**

Credit Creation by Commercial Banks:

Commercial banks have the ability to create credit through a process known as credit creation. When a bank accepts deposits from its customers, it is required to hold only a small portion of those deposits as reserves and can lend out the rest. This means that banks have the ability to create new money by issuing loans that exceed their reserves.

For example, let's say a bank receives a deposit of $100 from a customer. The bank is required to hold only a fraction of this deposit, say 10%, as reserves and can lend out the remaining $90. If the borrower uses this $90 to purchase goods or services from another person, that person may deposit the money in their bank account, and the process repeats. The bank can then lend out a portion of this new deposit, creating additional credit in the economy.

This process of credit creation can continue, resulting in a multiplier effect, where a single deposit can lead to the creation of multiple loans and deposits. The extent to which banks can create credit is limited by the reserve requirement set by the central bank and the demand for loans from borrowers.

Credit creation by commercial banks is an important factor in the growth of the economy, as it provides funding for businesses and individuals to invest and spend. However, it also poses risks, as banks may make loans that are not repaid, leading to defaults and financial instability. Therefore, it is important for banks to manage their credit risks carefully to ensure the safety and soundness of the financial system.

Kinds of Banks:

There are several kinds of banks, each of which offers different types of services to customers. Here are some of the most common types of banks:

1. Commercial Banks
2. Investment Banks
3. Retail Banks
4. Central Banks
5. Cooperative Banks
6. Development Banks

Central Banking v/s Commercial Banking:

Banks are an important part of the economy of a nation. They are the most critical institutions that help regulate the overall economic development of a nation.

Banks help mobilise the money in an economy and act as a connecting link between the government and the general population. Banks act as facilitators of credit in the economy, which is an important component that drives the growth of an economy.

There are two types of banks based on the authority; these are central banks and commercial banks. Central bank can be called the apex bank, which is responsible for formulating the monetary policy of an economy.

Commercial banks, on the other hand, are those banks that help in the flow of money in an economy by providing deposit and credit facilities. Commercial banks provide financial services to the individuals and businesses.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	I B.Com
Paper	**Banking Theory and Practices**
Name of the Topic	**Banking Systems:**
Hours Required	8 Hours
Learning Objectives	➢ Understand the basic concepts of banks and functions of commercial banks. ➢ Demonstrate an awareness of law and practice in a banking context. ➢ Engage in critical analysis of the practice of banking law. ➢ Critically examine the current scenario of Indian Banking system. ➢ Formulate the procedure for better service to the customers from various banking innovations.
Previous Knowledge to be reminded	*Yes, Reminded*
Topic Synopsis	➢ Unit Banking, Branch Banking, Investment Banking ➢ Functions of Commercial Banks ➢ Innovations in Banking ➢ banking - Online and Offshore Banking, Internet Banking ➢ Central Banking vs. Commercial Banking. ➢ Anywhere Banking - ATMs – RTGS- NEFT – Mobile Banking
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Kalyani Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

Signature of Lecturer

Unit Banking Introduction:

Unit banking refers to a banking system in which a bank operates as a single, independent unit, with no branches or affiliates. In this system, a bank is limited to a single location and serves only the local community or region where it is located.

Advantages of Unit Banking:

- Strong community ties
- Local decision-making
- Lower costs
- Better customer service:

Disadvantages of Unit Banking:

- Limited resources
- Limited diversification
- Limited growth potential
- Higher risk

Branch Banking Introduction:

Branch banking refers to a banking system in which a bank operates multiple branches across different geographical locations. In this system, a bank is not limited to a single location and can serve a wider customer base by establishing branches in different regions.

Advantages of Branch Banking:

- Increased convenience
- Economies of scale
- Diversification
- Improved customer service
- Greater competitiveness

Disadvantages of Branch Banking:

- Higher operating costs:
- Difficulties in coordination
- Risk of loss:
- Limited flexibility:
- Local competition:

Investment Banking

Investment banking is a financial service that helps individuals, businesses, and governments raise capital by underwriting and selling securities such as stocks and bonds. Investment banks also provide advice on mergers and acquisitions, restructuring, and other financial transactions.

The primary functions of an investment bank are:

- Underwriting:
- Trading:
- Mergers and Acquisitions
- Corporate Finance

Innovations in Banking:

The banking industry has seen a lot of innovations in recent years, driven by advances in technology and changing customer expectations. Some of the key innovations in banking include:

- Mobile Banking
- Digital Payments
- Block chain Technology
- Artificial Intelligence
- Open Banking

E banking- Online and Offshore Banking

E-banking, also known as online banking refers to the use of electronic channels to conduct banking transactions. It has become increasingly popular in recent years, allowing customers to manage their accounts and perform transactions from anywhere at any time. There are two main types of e-banking: online banking and offshore banking.

Online Banking: Online banking allows customers to access their bank accounts through the internet. They can perform a variety of transactions, such as checking account balances, transferring funds between accounts, paying bills, and applying for loans or credit cards. Online banking also allows customers to view and download statements and other important documents.

Offshore Banking: Offshore banking refers to banking services that are provided by banks located outside of the customer's home country. Offshore banks are often located in countries that have more favourable tax laws, privacy laws, and banking regulations. Offshore banking can provide customers with access to a wider range of financial products and services, as well as the ability to diversify their investments across different countries and currencies.

Internet Banking:

Internet banking, also known as online banking, is a type of electronic banking service that allows customers to perform a variety of financial transactions over the internet. With internet banking, customers can access their bank accounts at anytime from anywhere in the world, as long as they have an internet connection.

Some of the common **features** of internet banking include:

- Account information
- Bill payment.
- Transfers
- Deposits
- Loan and credit card applications

Anywhere Banking:

Anywhere banking refers to the ability of customers to access their bank accounts and conduct financial transactions from anywhere, using various devices such as mobile phones, laptops, tablets, or desktop computers. This type of banking is enabled by technology and allows customers to manage their accounts and perform financial transactions without having to physically visit a bank branch.

Anywhere banking typically involves the use of online banking services or mobile banking apps provided by banks. These services allow customers to view their account balances, check their transaction history, and transfer money between accounts, pay bills, and even deposit checks remotely by taking a photo of the check.

ATM,s

ATMs, or Automated Teller Machines, are electronic banking machines that allow customers to perform various banking transactions without the need for human assistance. ATMs are usually located in public places such as shopping malls, airports, train stations, and bank branches, allowing customers to access their accounts and perform transactions at any time of day or night.

Some common transactions that can be performed using an ATM include withdrawing cash, depositing checks or cash, checking account balances, transferring funds between accounts, and paying bills. ATMs typically use a plastic ATM card or a mobile device to identify the customer and authenticate the transaction.

RTGS (Real Time Gross Settlement)

RTGS stands for Real Time Gross Settlement. It is a fund transfer system that enables instant and secure transfer of funds between bank accounts maintained with different banks across India. RTGS is operated by the Reserve Bank of India (RBI) and is available for both individuals and corporates.

NEFT (National Electronic Funds Transfer)

NEFT stands for National Electronic Funds Transfer. It is an electronic payment system that enables individuals and businesses to transfer funds from one bank account to another bank account maintained with a different bank in India. NEFT is operated by the Reserve Bank of India (RBI) and is available for both individuals and corporates.

Mobile Banking:

Mobile banking is a type of banking service that allows customers to access their bank accounts and perform financial transactions using a mobile device such as a smartphone or tablet. Mobile banking typically involves the use of a mobile banking app provided by the customer's bank, which allows them to manage their accounts, transfer funds, pay bills, and perform other financial transactions on the go.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	I B.Com
Paper	**Banking Theory and Practices**
Name of the Topic	**Types of Banks**
Hours Required	8 Hours
Learning Objectives	➢ Understand the basic concepts of banks and functions of commercial banks. ➢ Demonstrate an awareness of law and practice in a banking context. ➢ Engage in critical analysis of the practice of banking law. ➢ Critically examine the current scenario of Indian Banking system. ➢ Formulate the procedure for better service to the customers from various banking innovations.
Previous Knowledge to be reminded	*Yes, Reminded*
Topic Synopsis	➢ Indigenous Banking ➢ Cooperative Banks ➢ Regional Rural Banks ➢ SIDBI, ➢ NABARD ➢ EXIM bank
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Kalyani Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

Signature of the Lecturer

Indigenous Banking:

Indigenous banking refers to traditional banking practices that have been in use in various parts of the world for centuries, typically in rural or remote areas where formal banking services are not easily accessible. Indigenous banking systems are typically community-based and rely on trust, reciprocity, and social relationships to facilitate financial transactions.

- Rotating savings and credit associations (ROSCAs)
- Village banking
- Islamic banking

Cooperative Banks:

Cooperative banks are financial institutions that are owned and controlled by their members, who are typically customers of the bank. The main purpose of cooperative banks is to provide banking services to their members and to support the economic and social development of the local communities they serve.

Co-operative Banks

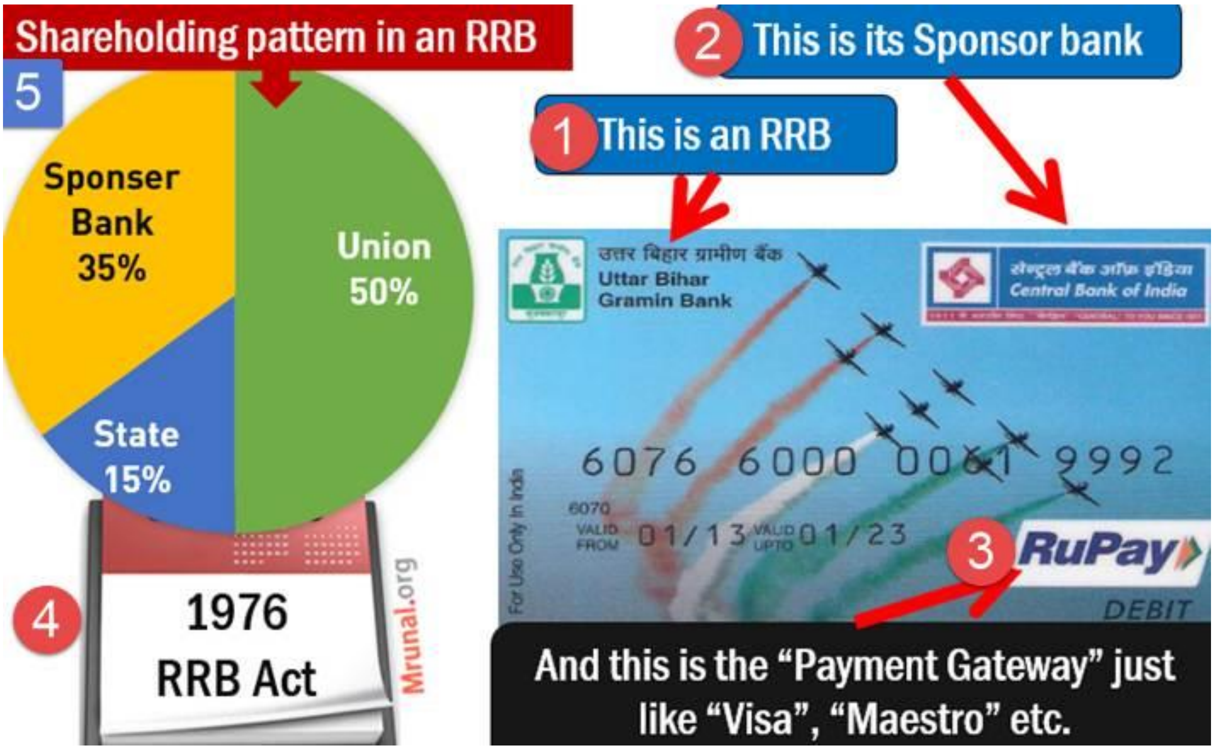
- **Agricultural Credit Institutions**
  - **Short Term Credit needs**
    - **State Cooperative Bank (Apex Bank)**
    - **Central Co-operative banks (Central Unions)**
    - **Primary Credit Societies (Cover town and villages)**
  - **Long Term Credit needs (Land Development Banks)**
- **Non Agricultural Institutions**

Regional Rural Banks (RRB):

Regional Rural Banks (RRBs) are specialized financial institutions in India that provide banking and financial services to rural areas. They were established in 1975 under the Regional Rural Banks Act, 1976, with the aim of improving rural credit delivery and promoting rural development.

RRBs are jointly owned by the Central Government, State Government, and Sponsor Banks, which are typically nationalized banks. The ownership structure of RRBs is divided into three tiers: the Central Government holds 50% ownership, the Sponsor Banks hold 35%, and the State Government holds 15%.

RRBs offer a range of banking and financial services, including deposit accounts, loans, and investment products. They cater to the financial needs of rural households, small farmers, and rural artisans, among others. RRBs also play a crucial role in promoting financial inclusion in rural areas and providing access to credit for underserved communities.



SIDBI (Small Industries Development Bank of India)

SIDBI stands for Small Industries Development Bank of India. It is a financial institution in India that was established in 1990 under the Small Industries Development Bank of India Act, 1989. The main objective of SIDBI is to provide financial and non-financial support to small-scale industries (SSIs) in India and promote entrepreneurship.

SIDBI provides a range of financial and non-financial services to SSIs, including term loans, working capital financing, project financing, bill financing, and venture capital. It also provides advisory services, training, and other support to help SSIs improve their competitiveness and sustainability.

In addition to providing direct financing and support to SSIs, SIDBI also works closely with other financial institutions, including commercial banks, to promote the development of the small-scale sector in India. It provides refinancing facilities to banks and other financial institutions that lend to

National Bank for Agriculture and Rural Development (NABARD)

NABARD stands for National Bank for Agriculture and Rural Development. It is a financial institution in India that was established in 1982 under the National Bank for Agriculture and Rural Development Act, 1981. The main objective of NABARD is to promote rural development by providing financial and technical assistance to agriculture and rural sectors.

NABARD provides a range of financial services, including refinance facilities, loans, and grants to banks, cooperatives, and other rural financial institutions. It also provides technical assistance, training, and consultancy services to promote rural development and support sustainable agriculture practices.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	I B.Com
Paper	**Banking Theory and Practices**
Name of the Topic	**Banker and Customer**
Hours Required	8 Hours
Learning Objectives	➢ Understand the basic concepts of banks and functions of commercial banks. ➢ Demonstrate an awareness of law and practice in a banking context. ➢ Engage in critical analysis of the practice of banking law. ➢ Critically examine the current scenario of Indian Banking system. ➢ Formulate the procedure for better service to the customers from various banking innovations.
Previous Knowledge to be reminded	*Yes, Reminded*
Topic Synopsis	➢ Meaning and Definition of Banker and Customer ➢ Types of Customers ➢ General Relationships between Banker and Customer ➢ Special Relationship between Banker and Customer
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Kalyani Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Visted Local Banks*
Any other activity	

Signature of the Lecturer

Meaning and Definitions of Banker and Customers

Banker

A banker is a professional or institution that provides financial services to its customers, including accepting deposits, lending money, and managing financial transactions.

The term banker can refer to an individual who works for a bank or a financial institution, or it can refer to the bank or financial institution itself. In either case, the banker is responsible for managing the finances of its customers, which may include individuals, businesses, or other organizations.

Customer

A customer is a person, organization, or entity that purchases or uses goods or services from a business or individual. The term customer is commonly used in business to describe those who buy products or services, as well as those who receive them for free or on a trial basis.

Customers may purchase goods or services for personal use or for use by their organization. They may also be individuals who receive goods or services as part of a contractual agreement, such as a

Types of Customers:

There are several types of customers, which can be classified based on their purchasing behavior, demographic characteristics, and other factors. Some common types of customers include:

- Individual customers
- Business customers
- Institutional customers
- Loyal customers
- Price-sensitive customers
- Impulsive customers
- Educated customers
- Indifferent customers

General Relationships between Banker and Customer:

The relationship between a banker and customers is built on trust and mutual respect. Banks and other financial institutions rely on their customers to deposit their money with them and use their services, while customers depend on the bank to keep their money safe and provide a range of financial services to meet their needs.

- Deposits:
- Loans
- Financial advice.
- Customer service
- Trust

Special Relationships between Banker and Customer:

Special relationships between bankers and customers may arise in certain circumstances, such as when the banker provides specialized services to the customer or when the banker has a personal relationship with the customer. Some examples of special relationships between banker and customer include:

- Private banking
- Small business banking
- Trust and estate planning
- Personal relationships

KYC Norms:

KYC stands for "Know Your Customer" and it is a set of guidelines and regulations that financial institutions and banks are required to follow to identify and verify the identity of their customers. The main objective of KYC norms is to prevent money laundering, terrorist financing, and other illegal activities.

- Identification
- Address proof
- Source of income
- Risk assessment.
- Enhanced due diligence

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Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	I B.Com
Paper	**Banking Theory and Practices**
Name of the Topic	**Collecting Banker and Paying Banker:**
Hours Required	8 Hours
Learning Objectives	➢ Understand the basic concepts of banks and functions of commercial banks. ➢ Demonstrate an awareness of law and practice in a banking context. ➢ Engage in critical analysis of the practice of banking law. ➢ Critically examine the current scenario of Indian Banking system. ➢ Formulate the procedure for better service to the customers from various banking innovations.
Previous Knowledge to be reminded	*No*
Topic Synopsis	➢ Duties & Responsibilities of Collecting Banker ➢ Holder for Value – Holder in Due Course ➢ Statutory Protection to Collecting Banker ➢ Responsibilities of Paying Banker ➢ Payment Gateways
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Kalyani Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

Signature of the Lecturer

Duties & Responsibilities of Collecting Banker

A collecting banker refers to a bank that collects cheques and other financial instruments on behalf of its customers. The duties and responsibilities of a collecting banker include:

- Collection of cheques:
- Verification of documents
- Endorsement of cheques
- Presentation of cheques
- Communication with customers
- Maintaining records
- Fees and charges.
- Compliance

Holder for Value – Holder in Due Course:

Holder for value and holder in due course are two terms used in commercial law that refer to individuals or entities that hold negotiable instruments such as promissory notes, bills of exchange, and checks.

Holder for value refers to a person who acquires a negotiable instrument for value, which means that they have given something of value in exchange for the instrument. The holder for value can be any person who obtains the instrument through a purchase, a loan, or a trade. The holder for value has the right to enforce the instrument against the parties who signed it.

Statutory Protection to Collecting Banker:

In commercial law, a collecting banker is a bank that collects cheques and other financial instruments on behalf of its customers. To protect collecting bankers from potential risks, several statutory protections have been provided under the Negotiable Instruments Act, 1881. Some of these protections include:

- Protection against forgery
- Protection against negligence
- Protection of payment in due course
- Protection of settlement of accounts
- Protection of statutory holidays:

Responsibilities of Paying Banker:

A paying banker refers to a bank that pays a cheque or other negotiable instruments drawn on it by the customer. The responsibilities of a paying banker include:

- Verification of signature:
- Verification of funds
- Payment of the cheque
- Communication with the customer
- Charging of fees

Payment Gateways:

Payment gateways are online payment processing services that facilitate electronic transactions between customers and merchants. They act as intermediaries between banks and merchants to securely process online payments for goods and services. Payment gateways typically work as follows:

1. A customer places an order on a merchant's website or mobile application and chooses a payment method.
2. The payment gateway securely collects the customer's payment details, such as credit or debit card information, and encrypts the data to ensure security.
3. The payment gateway sends the payment information to the customer's bank or card issuer for verification.
4. The bank or card issuer verifies the payment details and approves or declines the transaction.
5. The payment gateway receives the approval or decline status from the bank or card issuer and sends the information back to the merchant's website or application.
6. If the payment is approved, the payment gateway Payment gateways offer several advantages for merchants, including:

TEACHING PLAN

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	II B.Com
Paper	**Cost and Management Accounting**
Name of the Topic	**Introduction**
Hours Required	8 Hours
Learning Objectives	➢ Understand various costing methods and management techniques. ➢ Apply Cost and Management accounting methods for both manufacturing and service industry. ➢ Prepare cost sheet, quotations, and tenders to organization for different works. ➢ Analyze cost-volume-profit techniques to determine optimal managerial decisions. ➢ Compare and contrast the financial statements of firms and interpret the results.
Previous Knowledge to be reminded	*No*
Topic Synopsis	➢ Definition and Features of Cost Accounting, ➢ Objectives of Cost Accounting ➢ Advantages and Disadvantages of Cost Accounting ➢ Functions and Scope of Cost Accounting ➢ Management Accounting Features and Functions ➢ Objectives of Management Accounting ➢ Elements of Cost, Cost Sheet ➢ Items Excluded From Cost Sheet
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Jai Bharath Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

Signature of the Lecturer

Meaning and Definitions of Cost Accounting

Cost accounting is the process of ascertaining and accumulating the cost of product or activity. It is a process of accounting for the classification, analysis, interpretation, and control of cost.

So it is a system of accounting, which provides information about the ascertainment, and control of costs of products, or services. It measures the operating efficiency of the enterprise. It is an inner aspect of the enterprise.

Cost accounting is the process of accounting from the point at which expenditure is incurred or committed to the establishment of its ultimate relationship with cost centres and cost units.

Definitions

According to I.C.M.A. London – "Cost Accounting is the technique and process of ascertainment of cost."

Walter W. Bigg has defined cost accounting as follows: - "Cost Accounting is the provision of. such analysis and classification of expenditure as will enable the total cost of any particular unit.

Features of Cost Accounting

Cost accounting is a branch of accounting that deals with the recording, analysis, and reporting of the costs of products or services. It helps businesses make informed decisions about pricing, budgeting, and resource allocation. Some of the features of cost accounting are:

- Costing methods
- Cost classification
- Cost control
- Budgeting
- Decision-making
- Performance evaluation
- Inventory valuation

Objectives of Cost Accounting

- Ascertainment of cost
- Controlling cost
- Ascertainment of Profitability
- Classification of Cost
- Facilitating preparation of financial and other statements

Advantages of Cost Accounting

Below are a few advantages of Cost Accounting. Let's discuss the advantages briefly

- Assistance to the management
- Helps in reducing costs
- Helps in forecasting
- Helps in preparation of financial accounts
- Fraud can be reduced
- Helps the government

Disadvantages of Cost Accounting

Let's discuss the disadvantages of cost accounting briefly.

- Only past performance can be recorded
- Costs keep on changing every year
- Proper maintenance is required
- Expertise is required to record
- Complex system
- Costly to maintain

Scope of Cost Accounting

The scope of cost accounting is actually quite wide. It mainly consists of three main aspects. Let us take a brief look at them.

- Cost Ascertainment
- Cost Accounting
- Cost Control

Functions of Cost Accounting

To understand the entire cost structure of a firm, cost accounting is crucial. It ascertains the costs of various products, processes etc.

So we can compare them to the sales and arrive at the true profitability of the firm. This is one of the main objectives or functions of cost accounting. To achieve this the actual functions of cost accounting change daily. Let us take a look,

- ascertain the cost per unit of every product that the company manufactures
- To identify any wastages whether in material, expense, time, tools and spares etc. Also, suggest ways to minimize this wastage
- also, provide data that helps in the process of price fixing
- Calculate with accuracy the profitability of each of the company's products. And figure out ways to maximize these profits
- Cost accounting is also responsible for the control of raw material and raw material ordering. So it must ensure that we are not over ordering which leads to capital being locked-up unnecessarily. And under ordering will lead to inefficiency in the manufacturing process,

Management Accounting Meaning and Definitions

Management accounting is the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of information that assists executives in fulfilling organizational objectives.

It helps the management to perform all its functions, including planning, organizing, staffing, direction, and control. In other words, the field of accounting that provides economic and financial information for managers and other internal users is called management accounting.

Some beautiful definitions of management accounting are mentioned below:

The Institute of Chartered Accountants of England and Wales defines, "Management Accounting is that form of accounting which enables a business to be conducted more efficiently."

According to R. N. Anthony, "Management Accounting is concerned with accounting information that is useful to management."

The Institute of Cost and Management Accountants London has defined, "Management Accounting as the application of professional knowledge and skill in the preparation of accounting information in such a way as to assist management in the formulation of policies and the planning control of the operation of the undertakings."

Features of Management Accounting

Management accounting is a branch of accounting that provides financial information and analysis to management for decision-making, planning, and control purposes. Here are some of the key features of management accounting:

The nature/characteristics of management accounting may be summarized as under:

- Management accounting is a technique of selective nature. It does not use the whole data provided by financial records. It selects and picks up only that information from different financial records (such as profit and loss account or balance sheet), which are relevant and useful to the management to arrive at important decisions on different aspects of the business.
- Management accounting is concerned with the future. It collects and analyses data to plan the future. The primary function of management is to decide bout the future course of action. Management accounting, with the help of different techniques, formats the future course of action.

Functions of Management Accounting

The basic function of management accounting is to assist the management in performing its functions effectively. The functions of the management are planning, organizing, directing, and controlling.

- Provides data
- Modifies data
- Communication
- Analyses and interprets data
- Serves as a means of communicating

- Facilitates control
- Uses also qualitative information
- To assist in planning.
- To assist in organizing.
- Decision-Making

Objectives of Management Accounting

The primary objective of Management Accounting is to enable the management to maximize profits or minimize losses.

- Uses of Information
- Planning and Policy Formulation
- Decision Making
- Motivating
- Controlling
- Coordinating Operations
- Reporting

Elements of Cost

The elements of cost are those elements which constitute the cost of manufacture of a product. We can broadly divide these elements of cost into three categories. In a manufacturing organization, we convert raw materials into a finished product with the help of labour and other services. These services are Material, Labour and Expenses.

- Direct Material
- Indirect Material
- Direct Labour
- Indirect Labour
- Direct Expenses
- Indirect Expenses
- Overhead
- Factory Overhead
- Administration Overhead
- Selling Overhead
- Distribution Overhead

Cost Sheet

A cost sheet is a document that provides a detailed breakdown of the various costs involved in producing a product or providing a service. It is used by businesses to track and analyze the cost of production and helps them in making informed decisions about pricing, inventory management, and resource allocation.

- Prime Cost
  - **Prime Costs = Direct Labour + Direct Raw Material + Direct Expenses**
- Factory Cost
- Cost of Production
- Cost of Goods Sold/Total Cost

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	II B.Com
Paper	**Cost and Management Accounting**
Name of the Topic	**Introduction**
Hours Required	8 Hours
Learning Objectives	➢ Understand various costing methods and management techniques. ➢ Apply Cost and Management accounting methods for both manufacturing and service industry. ➢ Prepare cost sheet, quotations, and tenders to organization for different works. ➢ Analyze cost-volume-profit techniques to determine optimal managerial decisions. ➢ Compare and contrast the financial statements of firms and interpret the results.
Previous Knowledge to be reminded	*No*
Topic Synopsis	➢ Techniques of Inventory Control ➢ Valuation of Inventory:FIFO,LIFO,Simple Average and Weight Average methods. ➢ Labour:Direct and Indirect Labour Costs ➢ Methods of Payment of Wage-Incentive Schemes ➢ Time Rate Method, Piece rate Method Halsay,Rowan and Taylor Methods ➢ Labour Turn Over
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Jai Bharath Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

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Techniques of Inventory Control

Inventory control is the process of managing the flow and storage of goods or materials to ensure the availability of necessary items while minimizing excess or obsolete inventory. There are various techniques of inventory control that businesses use to manage their inventory levels. Some of the common techniques are:

- ABC Analysis
- Economic Order Quantity (EOQ
- Just-In-Time (JIT)
- First-In, First-Out (FIFO)
- Last-In, First-Out (LIFO)
- Safety Stock
-

Valuation of Material Issues

Valuation of material issues refers to the process of assigning a value to the inventory that is consumed or issued for use in production or operations. Accurate valuation of material issues is essential for proper accounting and financial reporting, as it affects the cost of goods sold and the value of inventory on the balance sheet. Here are some methods for valuing material issues:

- **First-In, First-Out (FIFO):** This method assumes that the first inventory items that are received are the first to be issued or consumed. Therefore, the cost of the earliest inventory items is assigned to the material issues first.
- **Last-In, First-Out (LIFO):** This method assumes that the last inventory items that are received are the first to be issued or consumed. Therefore, the cost of the most recent inventory items is assigned to the material issues first.
- **Weighted Average:** This method calculates the average cost of all inventory items, and this average cost is assigned to the material issues.
- **Standard Cost:** This method assigns a predetermined cost to each unit of inventory, and this cost is used to value the material issues.

The selection of a particular method for valuing material issues depends on various factors such as the nature of the inventory, the accounting policies of the organization, and the regulatory requirements. Regardless of the method used, it is important to consistently apply the chosen method and properly document the rationale behind the selection.

Time Rate Method:

Time Rate System is otherwise called as Time Work, Day Work, Day Wages and Day Rate. It is the oldest method of remuneration. A worker is paid wages on the basis of number of hours engaged in the production activities. The output of the worker is not considered for payment of wages.

Earnings = No. of Hours Worked x Rate per Hour.

Piece Rate Method:

The piece rate system is a type of incentive scheme in which an employee's pay is based on the number of units produced or tasks completed. Under this system, employees are paid a fixed amount of money per unit or task, regardless of the amount of time taken to complete the work. The piece rate system is commonly used in manufacturing and production industries, where employees are involved in repetitive tasks that can be measured in terms of output.

Earnings = No. of Units Produced x Rate per Unit

Halsay Method:

Under Halsey Plan, the standard time for the completion of a job is fixed and the rate per hour is then determined. If the time taken by a worker is more than the standard time, then he shall be paid according to the time rate, i.e. time taken multiplied by the rate per hour.

Earnings = T x R+50 (S-T) xR

Rowan Method:

Rowan System is a plan for rewarding employees where by the method advocates that an employee be paid according to the time rate set if he or she takes more than the set period to finish the task. But a bonus is tied on one's salary if the same task is accomplished within a shorter time than stipulated.

Earnings = Hours worked × Rate per hour + (Time taken / Time allowed × time saved × rate per hrs)

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
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Paper	**Cost and Management Accounting**
Name of the Topic	**Introduction**
Hours Required	8 Hours
Learning Objectives	➢ Understand various costing methods and management techniques. ➢ Apply Cost and Management accounting methods for both manufacturing and service industry. ➢ Prepare cost sheet, quotations, and tenders to organization for different works. ➢ Analyze cost-volume-profit techniques to determine optimal managerial decisions. ➢ Compare and contrast the financial statements of firms and interpret the results.
Previous Knowledge to be reminded	*No*
Topic Synopsis	➢ Definition and Features of Job Costing ➢ Economic Batch Quantity (EBQ) ➢ Preparation of Job Cost sheet ➢ Batch Costing
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Jai Bharath Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

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Meaning and Features of Job Costing

Meaning:
Job costing is an accounting method designed to help you track the cost of individual projects and jobs. It involves looking at direct and indirect costs, and it's usually broken into three specific categories: labour, materials and overhead.

Features of Job Costing
It is a cost accounting method that tracks the costs of producing a specific product or service. The following are its features of job costing:

- Customized Production
- Specific Cost Identification
- Cost Control
- Accurate Pricing
- Budgeting
- Detailed Records
- Analysis of Profitability

Economic Batch Quantity (EBQ)

Economic Batch Quantity (EBQ) is a decision-making model that is used in inventory management to determine the optimal order quantity of a particular item. The goal of the EBQ model is to minimize the total cost of ordering and holding inventory while ensuring that there are enough inventories on hand to meet customer demand.

The key features of the Economic Batch Quantity model include:

- Ordering Costs
- Holding Costs
- Demand
- Lead Time

The formula for calculating the Economic Batch Quantity is:

EBQ = sqrt((2 x ordering cost x annual demand) / holding cost per unit)

Preparation of Job Cost Sheet

A job cost sheet is a document used in job costing to record all costs incurred in a specific job or project. It is an essential tool for businesses that provide customized products or services, such as construction firms, manufacturing companies, and professional services providers. The following are the steps involved in preparing a job cost sheet:

- Identify the Job
- Determine Direct Costs
- Allocate Indirect Costs
- Calculate Total Costs
- Calculate the Unit Cost
- Analyse the Data

Batch Costing

Batch costing is a method of costing used to determine the cost of producing a group of similar products or services, which are produced in batches. This method of costing is used by businesses that produce goods or services in batches or groups, rather than on a continuous or individual basis. The following are the key features of batch costing:

- Batch Size
- Direct Costs
- Cost of Production
- Cost per Unit

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	II B.Com
Paper	**Cost and Management Accounting**
Name of the Topic	**Financial Statement Analysis**
Hours Required	8 Hours
Learning Objectives	➢ Understand various costing methods and management techniques. ➢ Apply Cost and Management accounting methods for both manufacturing and service industry. ➢ Prepare cost sheet, quotations, and tenders to organization for different works. ➢ Analyze cost-volume-profit techniques to determine optimal managerial decisions. ➢ Compare and contrast the financial statements of firms and interpret the results.
Previous Knowledge to be reminded	*No*
Topic Synopsis	➢ Financial Statement Analysis Features, Limitations ➢ Need, Meaning objectives and Process of Financial statement Analysis ➢ Comparative Analysis ➢ Common Size Analysis ➢ Trend Analysis
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Jai Bharath Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
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Financial Statement Analysis Meaning and Need:

Meaning

The term financial statement refers to statement of Changes in financial position, Statement of Retained Earnings, Balance Sheet, Profit and Loss Account, etc. But, generally, the financial statements include only two statements; they are profit and Loss Account and Balance Sheet. It is observed that the mere presentation of these statements does not serve the purpose of anybody in anyway. The importance of these statements lies in their analysis and interpretation. In the beginning, analysis was done only for extending credit, but now it is being used as most important function of Management Accountant for providing various useful information to many persons.

Features of Financial statement Analysis:

The important features of financial statements are as follows.

- Financial Statements are prepared at the end of the accounting period.
- Financial Statements disclose both facts and opinions.
- Financial statements are prepared on the going concern value..
- Financial statements are recorded facts of financial transactions based on historical cost.
- Financial statements are greatly affected by personal judgement of the accountants

Limitations of Financial Statement Analysis:

Financial statement analysis is a widely used tool to evaluate a company's financial health and performance. However, like any other method, it has its limitations. Some of the main limitations of financial statement analysis are:

- Historical data
- Incomplete picture
- Different accounting methods
- Lack of comparability
- Manipulation
- Limited usefulness for predicting future performance

Need For Financial Statement Analysis

Financial statement analysis is a critical tool for evaluating a company's financial health and performance. Here are some reasons why financial statement analysis is important:

- Assessing profitability
- Evaluating solvency
- Identifying trends
- Comparing performance
- Making investment decisions

Objectives of Financial Statement Analysis

Objectives of Analysis and Interpretation Many interested parties of financial statements are analysed and interpreted according to their varied objectives. In spite of the variations in the objectives of analysis and interpretation by various classes of people,

There are some common objectives of interpretation which are presented below.

- To examine the earning capacity and efficiency of various business activities with the help of income statements.
- To measure the managerial efficiency under various business situations.
- To estimate the performance evaluation of different departments over a period of time.
- To measure short term and long term solvency position of the business organization with the help of Balance Sheet.
- To examine the source of finance and way of utilizing the available finance.
- To determine earning capacity and future prospects of the business concern.
- To identify the way of utilizing fixed assets and the role of fixed assets on maintaining the earning capacity of the business concern.
- To investigate the future potential of the business concern.
- To compare operational efficiency of similar concerns engaged in the same industry.
- To identify the growth trend of the business organization.

Comparative Analysis

The comparative financial statements are statements of the financial position at different periods; of time. The elements of financial position are shown in a comparative form so as to give an idea of financial position at two or more periods. Any statement prepared in a comparative form will be covered in comparative statements. From practical point of view, generally, two financial statements (balance sheet and income statement) are prepared in comparative form for financial analysis purposes. Not only the comparison of the figures of two periods but also be relationship between balance sheet and income statement enables an in depth study of financial position and operative results.

Types of Comparative Statements:

(i) Balance sheet, and.

(ii) Income statement

The comparative statement may show:

- Absolute figures (rupee amounts).
- Changes in absolute figures i.e., increase or decrease in absolute figures.
- Absolute data in terms of percentages.
- Increase or decrease in terms of percentages

Common size financial statement analysis:

Common size financial statement analysis is analyzing the balance sheet and income statement using percentages. All income statement line items are stated as a percentage of sales. All balance sheet line items are stated as a percentage of total assets. For example, on the income statement, every line item is divided by sales and on the balance sheet, every line item is divided by total assets. This type of analysis enables the financial manager to view the income statement and balance sheet in a percentage format which is easy to interpret

Types of Common Size Statements:

- Balance sheet, and.
- Income statement

Trend Analysis

Trend analysis is also called time-series analysis. Trend analysis helps a firm's financial manager determine how the firm is likely to perform over time. Trend analysis is based on historical data from the firm's financial statements and forecasted data from the firm's pro forma, or forward looking, financial statements. One popular way of doing trend analysis is by using financial ratio analysis. If you calculate financial ratios for a business firm, you have to calculate at least two years of ratios in order for them to mean anything. Ratios are meaningless unless you have something to compare them to, in this case other years of data. Trend analysis is even more powerful if you have and use several years of financial ratios.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	II B.Com
Paper	**Cost and Management Accounting**
Name of the Topic	**Marginal Costing**
Hours Required	8 Hours
Learning Objectives	➢ Understand various costing methods and management techniques. ➢ Apply Cost and Management accounting methods for both manufacturing and service industry. ➢ Prepare cost sheet, quotations, and tenders to organization for different works. ➢ Analyze cost-volume-profit techniques to determine optimal managerial decisions. ➢ Compare and contrast the financial statements of firms and interpret the results.
Previous Knowledge to be reminded	*No*
Topic Synopsis	➢ Meaning and Features of Marginal Costing ➢ Contribution –Profit Volume Ratio ➢ Break Even Point ➢ Margin of Safety ➢ Estimation of Profit and Estimation of Sales
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Jai Bharath Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

Signature of the Lecturer

Meaning and Features of Marginal Costing:

Meaning:

Marginal Costing is a costing technique wherein the marginal cost, i.e. variable cost is charged to units of cost, while the fixed cost for the period is completely written off against the contribution

Features of Marginal Costing:

Features of marginal costing are as follows:

- Marginal costing is used to know the impact of variable cost on the volume of production or output.
- Break-even analysis is an integral and important part of marginal costing.
- Contribution of each product or department is a foundation to know the profitability of the product or department.
- Addition of variable cost and profit to contribution is equal to selling price.
- Marginal costing is the base of valuation of stock of finished product and work in progress.
- Fixed cost is recovered from contribution and variable cost is charged to production.
- Costs are classified on the basis of fixed and variable costs only. Semi-fixed prices are also converted either as fixed cost or as variable cost.

Contribution

Contribution is the difference between sales and variable cost or marginal cost of sales. It may also be defined as the excess of selling price over variable cost per unit. Contribution is also known as Contribution Margin or Gross Margin. Contribution being the excess of sales over variable cost is the amount that is contributed towards fixed expenses and profit. Contribution can be represented as : **Contribution = Sales - Variable (Marginal) Cost (or) Contribution (per unit) = Selling Price-Variable (or Marginal) cost per unit (or) Contribution = Fixed Costs + Profit (- Loss)**

P/V Ratio

Profit /Volume Ratio (P/V Ratio or C/S Ratio) The Profit/volume ratio, which is also called the 'contribution ratio' or 'marginal ratio', expressed the relation of contribution to sales and can be expressed as follows: P/V Ratio = Contribution / Sales Since Contribution = Sales -Variable Cost = Fixed Cost + Profit, P/V ratio can also be expressed as, (Sales - Variable Cost) / Sales ie.,(S – V) / S or P/V Ratio = (Fixed Cost + Profit) / Sales ie., (F + P) / S or P/V Ratio = (Change in profits or Contribution) / Change in Sales The formula for sales volumes required to earn a given profit is: **P/V Ratio = Contribution / Sales or P/V Ratio = (Fixed Cost + Profit) / Sales**

Break even Point

Break-even Point - The break-even point may be defined as that point of sales volume at which total revenue is equal to total cost. It is a point of no profit, no loss. A business is said to break-even when its total sales are equal to its total costs. The break-even point refers to that level of output which evenly breaks the costs and revenues and hence the name. At this point, contribution, i.e., sales minus marginal cost, equals the fixed costs and "hence this point is often called as 'Critical Point' or 'Equilibrium Point' or 'Balancing Point' or no profit, no loss. Break-even point can be stated in the form of an equation : Sales revenue at break-even point =

Fixed Costs + Variable Costs. Computation of the Break- Even Point The break-even point can be computed by the following methods : (i) Algebraic Formula Method (ii) Graphic or Chart Method. Algebraic Formula Method for Computing the Break-even Point The break-even point can be computed in terms of : (a) Units of sales volume,(b) Budget total or in terms of money value. (c) As a percentage of estimated capacity. (a) Break-even Point in Units - As the break-even point is the point of no profit no loss, it is that level of output at which the total contribution equals the total fixed costs. It can be calculated with the help of following formula : Break-Even Point = Fixed Cost / (Selling Price per unit - Variable Cost per unit) =Fixed Cost /Contribution per unit

Margin of Safety

Margin of Safety The excess of actual or budgeted sales over the break-even sales is known as the margin of safety. It is the difference between actual sales minus the sales at break-even point. It represents the amount by which sales revenue can fall before a loss is incurred. As at breakeven point there is no profit no loss, sales beyond the break-even point represent margin of safety because any ‘sales above the break-even point will give’ some profit. Thus, Margin of Safety = Total Sales — Sales at Break-even Point.

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TEACHING PLAN

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	III B.Com
Paper	**Cost Accounting**
Name of the Topic	**Introduction**
Hours Required	8 Hours
Learning Objectives	➢ Understand the Cost,Costing,Cost Accounting ➢ Understand the Cost Units, Cost Centers. ➢ Prepare cost sheet, quotations, and tenders to organization for different works. ➢ To Know the Difference between the Cost accounting with Management Accounting and Financial Accounting
Previous Knowledge to be reminded	*No*
Topic Synopsis	➢ Definition and Features of Cost Accounting, ➢ Objectives of Cost Accounting ➢ Cost Concepts and Cost Classifications ➢ Cost Centre and Cost Units ➢ Preparation of Cost Sheet ➢ Difference Between Cost Accounting and Financial Accounting ➢ Difference Between Cost Accounting and Management Accounting
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Jai Bharath Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

Signature of the Lecturer

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- Costing methods
- Cost classification
- Cost control
- Budgeting
- Decision-making
- Performance evaluation
- Inventory valuation

Objectives of Cost Accounting

- Ascertainment of cost
- Controlling cost
- Ascertainment of Profitability
- Classification of Cost
- Facilitating preparation of financial and other statements

Cost Concepts

In order to understand the general concept of costs, it is important to know the following types of costs:

- Accounting costs and Economic costs
- Outlay costs and Opportunity costs
- Direct/Traceable costs and Indirect/Untraceable costs

- Incremental costs and Sunk costs
- Private costs and Social costs
- Fixed costs and Variable costs

Cost Classifications

Cost classification is an important aspect of cost accounting that involves grouping costs based on various criteria for effective analysis and management. The following are the common classifications of costs in cost accounting:

- Direct and Indirect Costs
- Variable and Fixed Costs
- Product and Period Costs
- Controllable and Uncontrollable Costs
- Opportunity Costs

Cost Centre

A cost centre is a functional area within an organization where costs are incurred, such as a production department, marketing department, or administrative department. Cost centres are responsible for creating value or providing services within the organization, and they are typically managed by department heads or managers. By tracking costs by cost centres, managers can identify which departments are generating profits and which departments are incurring losses.

Cost Unit

A cost unit is a unit of product or service that is used as a basis for cost analysis, such as a gallon of paint, a computer keyboard, or an hour of consulting services. Cost units are used to allocate costs to specific products or services, and they help managers understand the costs associated with each unit of production or service. By tracking costs by cost units, managers can determine the profitability of each product or service and make informed decisions regarding pricing, production, and resource allocation.

Preparation of Cost Sheet

A cost sheet is a document that provides a detailed breakdown of the various costs involved in producing a product or providing a service. It is used by businesses to track and analyze the cost of production and helps them in making informed decisions about pricing, inventory management, and resource allocation.

- Prime Cost
    - **Prime Costs = Direct Labour + Direct Raw Material + Direct Expenses**
- Factory Cost
- Cost of Production
- Cost of Goods Sold/Total Cost

Difference between Cost Accounting and Financial Accounting

Take a look at this table below to learn about the Cost Accounting and financial accounting differences –

Parameters	**Cost Accounting**	**Financial Accounting**
Definition	It is the branch of accounting that helps to compute the cost of product and production in general. It is mainly accountable for fixed costs, overhead expenses, capital costs, selling price, etc.	It is the branch of accounting that involves recording financial transactions effectively. In turn, it facilitates the process of analysing the financial standing and profitability of a firm in an accounting period.
Purpose	It accounts for the cost per unit of products.	It represents the financial position of a firm accurately.
Relative Efficiency	It provides valuable information about efficiency.	It is not useful in determining the relative efficiency of workers, machinery, etc.
Reporting Time	It is frequently prepared and monitored accordingly.	It is reported mostly at the end of an accounting period.
Forecast	Budgeting makes forecasting possible.	It cannot be forecasted.
Profit measurement	It only measures the profitability of a product or a service.	It helps to measure the overall profitability of a firm.
Stock Valuation	It always takes into account the cost price of inventories.	It always takes into account either the cost or market price.

Difference between Management Accounting and Cost Accounting

Management accounting collects data from cost accounting and financial accounting. Thereafter, it analyses and interprets the data to prepare reports and provide necessary information to the management.

S.No.	Cost Accounting	Management Accounting
1	The main objective of cost accounting is to assist the management in cost control and decision-making.	The primary objective of management accounting is to provide necessary information to the management in the process of its planning, controlling, and performance evaluation, and decision-making.
2	Cost accounting system uses quantitative cost data that can be measured in monitory terms.	Management accounting uses both quantitative and qualitative data. It also uses those data that cannot be measured in terms of money.
3	Determination of cost and cost control are the primary roles of cost accounting.	Efficient and effective performance of a concern is the primary role of management accounting.
4	Success of cost accounting does not depend upon management accounting system.	Success of management accounting depends on sound financial accounting system and cost accounting systems of a concern.
5	Cost-related data as obtained from financial accounting is the base of cost accounting.	Management accounting is based on the data as received from financial accounting and cost accounting.
6	Provides future cost-related decisions based on the historical cost information.	Provides historical and predictive information for future decision-making.
7	Cost accounting reports are useful to the management as well as the shareholders and creditors of a concern.	Management accounting prepares reports exclusively meant for the management.
8	Only cost accounting principles are used in it.	Principals of cost accounting and financial accounting are used in management accounting.
9	Statutory audit of cost accounting reports are necessary in some cases, especially big business houses.	No statutory requirement of audit for reports.
10	Cost accounting is restricted to cost-related data.	Management accounting uses financial accounting data as well as cost accounting data.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	III B.Com
Paper	**Cost Accounting**
Name of the Topic	**Elements of Cost**
Hours Required	8 Hours
Learning Objectives	➢ Understand the Elements of Cost ➢ Understand the Materials and Material Control Techniques ➢ Understand the Pricing Issue Methods:FIFO,LIFO/Simple Average and Weighted average Methods
Previous Knowledge to be reminded	*No*
Topic Synopsis	➢ Elements of Cost ➢ Material: Material Control ➢ ABC Analysis ➢ Methods of Pricing Issues ➢ FIFO (First in First out) ➢ LIFO (Last in first out) ➢ Weighted Average ➢ Base Stock Methods
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Jai Bharath Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	
Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	III B.Com
Paper	**Cost Accounting**
Name of the Topic	**Elements of Cost**
Hours Required	8 Hours

Signature of the Lecturer

Elements of Cost

The elements of cost are those elements which constitute the cost of manufacture of a product. We can broadly divide these elements of cost into three categories. In a manufacturing organization, we convert raw materials into a finished product with the help of labour and other services. These services are Material, Labour and Expenses.

- Direct Material
- Indirect Material
- Direct Labour
- Indirect Labour
- Direct Expenses
- Indirect Expenses
- Overhead
- Factory Overhead
- Administration Overhead
- Selling Overhead
- Distribution Overhead

Material

In cost accounting, material refers to any tangible items that are consumed or used in the production of goods or services. Materials can be classified as either direct or indirect costs, depending on whether they are directly involved in the production process.

Techniques of Material Control

Inventory control is the process of managing the flow and storage of goods or materials to ensure the availability of necessary items while minimizing excess or obsolete inventory. There are various techniques of inventory control that businesses use to manage their inventory levels. Some of the common techniques are:

- ABC Analysis
- Economic Order Quantity (EOQ
- Just-In-Time (JIT)
- First-In, First-Out (FIFO)
- Last-In, First-Out (LIFO)
- Safety Stock
-

Valuation of Material Issues

Valuation of material issues refers to the process of assigning a value to the inventory that is consumed or issued for use in production or operations. Accurate valuation of material issues is essential for proper accounting and financial reporting, as it affects the cost of goods sold and the value of inventory on the balance sheet. Here are some methods for valuing material issues:

- **First-In, First-Out (FIFO):** This method assumes that the first inventory items that are received are the first to be issued or consumed. Therefore, the cost of the earliest inventory items is assigned to the material issues first.
- **Last-In, First-Out (LIFO):** This method assumes that the last inventory items that are received are the first to be issued or consumed. Therefore, the cost of the most recent inventory items is assigned to the material issues first.
- **Weighted Average:** This method calculates the average cost of all inventory items, and this average cost is assigned to the material issues.
- **Standard Cost:** This method assigns a predetermined cost to each unit of inventory, and this cost is used to value the material issues.

The selection of a particular method for valuing material issues depends on various factors such as the nature of the inventory, the accounting policies of the organization, and the regulatory requirements. Regardless of the method used, it is important to consistently apply the chosen method and properly document the rationale behind the selection.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	III B.Com
Paper	**Cost Accounting**
Name of the Topic	**Labour**
Hours Required	8 Hours
Learning Objectives	➢ Understand the Labour Cost ➢ Understand the Time Keeping and Time Booking Process ➢ Understand the how to Control Idle Time ➢ Understand the about Labour Incentive Schemes
Previous Knowledge to be reminded	*No*
Topic Synopsis	➢ Labour cost ➢ Control of Labour Cost ➢ Time Keeping and Time Booking ➢ Idle Time ➢ Methods of Remuneration ➢ Labour Incentive Schemes
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Jai Bharath Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

Labour:

Labour is a human resources and effort to convert materials into finished goods. Labour can be divided as direct labour and indirect labour.

Direct Labour:
Direct labour is that labour which is directly engaged in the production of goods or services and which can be conveniently allocated to the job, process or unit. According to ICMA, "Direct Labour cost is that cost which can be identified with and allocated to cost centres or cost units." For example, labour engaged in making the bricks, carpenter for making furniture etc.

Indirect Labour:
Indirect labour is that labour which is not directly engaged in the production of goods and services but which indirectly helps the direct labour engaged in production. ICMA defines indirect labour cost as "cost other than direct wages cost. For example, mechanics, supervisors, chowkidars, watchmen, sweepers, foremen etc.

Control of Labour costs:

Control of labour cost is not as easy as that materials cost. The human element in labour makes difficult the control of labour. Labour Laws in India are such that one can't dispense with the labour even if not need it for some reason. Moreover, it is a perishable commodity and can't be store like materials. Labour, once lost, cannot be recouped and is bound to increase the cost of production. The main aim of the control over cost is to keep labour cost per unit of out as low as possible. Labour costs can be controlled by proper employment and there afterwards efficient utilization of labour force. Inefficiency of labour is also a cause of excessive materials and overhead costs.

- **Time Keeping**
  The methods of timekeeping in Cost Accounting are used to track the time spent on specific tasks or activities. This information can be used to measure productivity and calculate costs associated with specific activities. Timekeeping can also help identify areas where costs can be reduced or efficiency improved.
- **Time Booking**
  Time booking is recording the time actually spent by a worker on various jobs done by him in the factory for cost analysis and dividing labour cost into various jobs and departments. It also helps in control over wastage of time- idle time.

- **Idle Time**
  Idle time is that time for which payment made but no direct production/ benefit is obtained by the employer. Hence, there is no production during idle time. The question of the idle time arises only when the payment is made on time basis. The difference between time booked and factory gate time is known as idle time. Therefore is calculated in the following way: Idle Time= Time keeping as per Time Card – Time booking as per Job Card.

Methods of Remuneration

Time Rate Method:

Time Rate System is otherwise called as Time Work, Day Work, Day Wages and Day Rate. It is the oldest method of remuneration. A worker is paid wages on the basis of number of hours engaged in the production activities. The output of the worker is not considered for payment of wages.

Earnings = No. of Hours Worked x Rate per Hour.

Piece Rate Method:

The piece rate system is a type of incentive scheme in which an employee's pay is based on the number of units produced or tasks completed. Under this system, employees are paid a fixed amount of money per unit or task, regardless of the amount of time taken to complete the work. The piece rate system is commonly used in manufacturing and production industries, where employees are involved in repetitive tasks that can be measured in terms of output.

Earnings = No. of Units Produced x Rate per Unit

Halsay Method:

Under Halsey Plan, the standard time for the completion of a job is fixed and the rate per hour is then determined. If the time taken by a worker is more than the standard time, then he shall be paid according to the time rate, i.e. time taken multiplied by the rate per hour.

Earnings = T x R+50 (S-T) xR

Rowan Method:

Rowan System is a plan for rewarding employees where by the method advocates that an employee be paid according to the time rate set if he or she takes more than the set period to finish the task. But a bonus is tied on one's salary if the same task is accomplished within a shorter time than stipulated.

Earnings = Hours worked × Rate per hour + (Time taken / Time allowed × time saved × rate per hrs)

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	II B.Com
Paper	**Cost and Management Accounting**
Name of the Topic	**Overheads**
Hours Required	8 Hours
Learning Objectives	➢ Understand various costing Overheads. ➢ To Know the Allocation of Overheads to the Cost Units ➢ To Know the Apportionment of Overheads
Previous Knowledge to be reminded	*No*
Topic Synopsis	➢ Overhead Meaning ➢ Overhead Types ➢ Allocation of Overheads ➢ Apportionment of Overheads
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Jai Bharath Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	*Student Assignments*
Any other activity	

Signature of the Lecturer

Overhead

In Cost Accounting the analysis and collection of overheads, their allocation and apportionment to different cost centres and absorption to products or services plays an important role in determination of cost as well as control purposes. A system of better distribution of overheads can only ensure greater accuracy in determination of cost of products or services. It is, therefore, necessary to follow standard practices for allocation, apportionment and absorption of overheads for preparation of cost statements.

Allocation of overheads

Allocation of overheads is assigning a whole item of cost directly to a cost centre. An item of expense which can be directly related to a cost centre is to be allocated to the cost centre. For example, depreciation of a particular machine should be allocated to a particular cost centre if the machine is directly attached to the cost centre.

Apportionment of overhead

Apportionment of overhead is distribution of overheads to more than one cost centre on some equitable basis. When the indirect costs are common to different cost centres, these are to be apportioned to the cost centres on an equitable basis. For example, the expenditure on general repair and maintenance pertaining to a department can be allocated to that department but has to be apportioned to various machines (Cost Centres) in the department. If the department is involved in the production of a single product, the whole repair & maintenance of the department may be allocated to the product.

Name of the Department/Subject	**COMMERCE**
Name of the Lecturer	KASULA KOTESWARA RAO
Course/Group	II B.Com
Paper	**Cost and Management Accounting**
Name of the Topic	**Contract Costing**
Hours Required	8 Hours
Learning Objectives	➢ Understand various costing Methods ➢ To Know the Contract Costing ➢ To Know the Notion Profits
Previous Knowledge to be reminded	No
Topic Synopsis	➢ Contract Costing Meaning ➢ Features of Contract Costing ➢ Work in Progress ➢ Retention Money and Cash Ratio
Examples / Illustrations	
Additional inputs	
Teaching Aids used	Black Board&PPT
References cited	Jai Bharath Publishers
Student Activity Planned after the teaching	
Activity planned outside the Class room ,if any	Student Assignments
Any other activity	

Signature of the Lecturer

Introduction to Contract Costing

Contract costing, also known as terminal costing, is a variant of job costing. Contract means a big job in which work is done at site and not in factory premises. The cost of each contract is ascertained. Thus, in this method of costing, each contract is a cost unit and an account is opened for each contract in the books of contractor to ascertain profit/loss thereon.

Features of Contract Costing

Contract costing usually shows the following features:

- Contracts are generally of large size and, therefore, a contractor usually carries out a small number of contracts at a particular point of time.
- A contract generally takes more than one year to complete,
- Work on contracts is carried out at the site of contracts and not in factory premises.
- Each contract undertaken is treated as a cost unit.
- A separate contract account is prepared for each contract in the books of contractor to ascertain profit or loss on each contract.
- Nearly all Labour cost will be direct.
- Most expenses (e.g., electricity, telephone, insurance, etc.) are also direct.

SPECIAL POINTS IN CONTRACTCOSTING

Work-in-progress —

Work Certified and Uncertified When the contract is not completed till the end of the accounting year, the architect is required to value the work-in-progress. Such work-in-progress is classified into work certified and work uncertified.

Work Certified:-This is that part of the work-in-progress which has been approved by the contractor's architect or engineer for payment. Work certified is valued at contract price (i.e , selling price), and includes an element of profit

Work Uncertified:- This is that part of the work-in-progress which is not approved by the architect or engineer. This is valued at cost and thus does not include an element of profit. Both work certified and uncertified appear on the credit side of the contract account and also on the assets side of the balance sheet.

Retention Money and Cash Ratio

It is usual practice not to pay the full amount of work certified. The contractee may pay a fixed percentage, say 80% or 90% of the work certified, depending upon the terms of the contract. This is known as Cash Ratio. The balance amount not paid is known as Retention Money. For example, if cash ratio is 75%, the retention money will be remaining 25%. This retention money is a type of security for any defective work which may be found in the contract later on. This also works as a deterrent for the contractor to leave the contract incomplete, if he finds the contract unprofitable. The retention money may also be adjusted against penalties that become due if the contract is not completed within the stipulated time as per the terms of the agreement.