

# **LEARNERS' EXPLORATIONS IN BUSINESS STUDIES AND ACCOUNTANCY**

**2018-19**

## **MANUAL FOR LECTURERS IN COMMERCE**



स्वाध्यायान्ता प्रमदः

**STATE COUNCIL OF EDUCATIONAL RESEARCH AND TRAINING  
Varun Marg, Defence Colony, New Delhi-110024**

© SCERT, Delhi  
1000 copies, June 2018  
ISBN: 978-93-85943-71-3

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Printed at M/s Graphic Printers, Karol Bagh, New Delhi - 110005

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## Foreword

***‘Education is not the learning of facts, but the training of minds to think.’*** as stated by Albert Einstein truly befits the fast pace of changes taking place in the economy and business scenario.

The world of business is witnessing development and changes coming too fast and thereby demanding our attention for commerce curriculum at the senior secondary stage. Every learner in a dynamic learning society has to be familiarized with such areas of knowledge in the global context. Commerce education is directly linked with such changes. The recent times has brought changes in the ways of doing business and has moved beyond the buyers and sellers’ market. This requires the students to take an active role in the learning process that consequently results in better student retention and performance. The Information and Communication technology has come in a massive way enabling the occurrence of business transactions digitally on the electronic platform.

SCERT organises Capacity Building Programs to enable the teachers of commerce for effective classroom transaction and teaching-learning processes. Manual based training are organised for all teachers and the Manual will be made available to the teachers for reference purposes.

The changes that are recently introduced in the syllabus intend to address such changes in the present business scenario. It is with this objective the present Manual is developed to orient teachers on such changes and provide them as reading material along with the pedagogy and assessment strategies.

I, hereby, extend a sincere word of appreciation for the entire team of contributors who have brought this Manual in present shape. It was a tremendous task that would not have been possible without the vision and passion of the people who have incorporated interactive activities, recent changes in syllabus, innovative methodology of teaching-learning processes and enriching reading material for teachers.

I extend a deep sense of reverence and gratitude to all concerned authorities, DOE, NCERT and CBSE for extending all academic support for incorporating required content in the Modules for capacity building of Lecturers in Commerce. We look forward for your continued support and academic associations for quality education and capacity building of teachers.

I sincerely wish and hope teachers will also take it enthusiastically with same zeal and passion to their classrooms.

Your observations and suggestions are welcome on the modules.

**Dr. Sunita. S. Kaushik**  
Director, SCERT

## Preface

The idea of living happily ever after cannot be imagined in the absence of maxim of Living. As *"Living to work is more important than working to live"* NCERT and CBSE have brought in significant changes in the recent past to make the School Curriculum pragmatic which provides ample scope for a teacher to relate the contents of text with the world of work. The teaching of Commerce empowers the students to observe empirically that economic and commercial phenomenon of which they may be a part.

SCERT organises Capacity Building/Orientation of teachers on the changes in syllabus, evaluation strategies brought in by NCERT and CBSE from time to time and hard spots identified in the subject every year and provides reading material based on the same.

In the changing scenario teachers have to really plan their methodologies in the light of new inclusion in curriculum and assessment which strongly emphasises on construction of knowledge by the child himself/herself and has to think beyond the traditional confines of classroom. The recent CBSE papers have shown a noticeable shift to Application Based Questions which requires a great deal of effort on the part of teachers to prepare them accordingly.

The present Manual has been developed focussing on implementing the significant changes in the Commerce Curriculum at Sr. Secondary stage of education and covers the important areas, which the teachers should address for improving the performance of the students. The Manual also provides the teachers to explore, discuss question etc. to makes the teaching-learning process more effective. It includes reading material on new additions in practical and interesting manner. Evaluation and test items used on different domains are also covered. Teachers should feel free to use this Manual as reference material during the classroom teaching learning processes.

I would like to congratulate the Co-ordinator, Dr. Seema Srivastava, Sr. Lecturer, DIET, and the team of Contributors for brining this Manual in present form. I hope this Manual will prove helpful to the teachers in planning and transacting the curriculum in the classroom effectively.

**Dr. Nahar Singh**  
Joint Director, SCERT

## Editorial

***'When you put yourself in the customer's shoes and begin your dialogue from there, an immediate connection develops that stems beyond basic commerce and encourages loyalty.'*** as stated by Steve Maraboli truly shows that we are moving in to an era when things are dematerialised and are much more holographic. Floating above the Physical world and Geographic map, there is another landscape that is constantly changing—something like a cloud of communication information exchange and Commerce. We are living in a tremendously new landscape and the possibility what can be created is immense. Hence as Commerce Educators we need to prepare our children for meeting such global challenges by upgrading our own skills of that knowledge /skill transition.

Business Studies and Accountancy are two important subjects of commerce stream. Teaching of these subjects is more challenging as these undergo rapid changes in respect of their curriculum which gets affected by changes in environment. The emerging modes of business emphasize on newer methods and mechanism of doing business. Digitization has taken in a massive way in all spheres. This changing scenario requires a pragmatic curriculum that corresponds to the world of work.

Keeping in tune with the changing business scenario, changes have been introduced in syllabus of Business Studies and Accountancy at the Senior Secondary level. The present **Manual** includes and elaborates on the changes in Commerce Syllabus at Sr. Secondary level i.e. Business Studies and Accountancy. You will find the brief content material along with activities and assessment questions. These changes are in consonance with the changes in economy and business scenario i.e. Goods and Services ACT (GST) Act and its impact on recording of transactions in Accountancy in class XI, Depreciation and Amortization, Types of Joint Venture etc. In Business Studies the focus is on History of Commerce, Entrepreneurship Development, Intellectual Property Rights (IPR), Types of Joint Venture and the Effect of Demonstration etc.

Modes of payment and emerging modes of E-business have encouraged buyers to use technology in day to day life. The gap between domestic and International markets has narrowed down due to the technology. Consumer awareness has also taken a paradigm shift. Competition has become tough. ***It is in this backdrop, all teachers teaching Commerce at Senior Secondary level have to keep pace with fast changing world of business to relate the content of textbooks to the changing business scenario.*** It is a challenge and at the same time exciting, as the subject is not static.

The NCERT and CBSE continuously update the methodology and assessment to make the subject pragmatic and giving teachers and students' scope to think beyond textbooks. Moreover it's the teachers' responsibility to introduce the subject in an interesting manner as commerce as a subject is introduced at senior secondary level. SCERT organises orientation every year for teachers to update you on the same including hard spots and changes in syllabus and assessment.

This time also this Manual is an attempt in this direction to expose you to the recent changes in the syllabus of Business Studies and Accountancy in Classes XI and XII. It will also be addressed during Training Program for Teachers along with hard spots and reading material from class XI and XII syllabus.

This Manual addresses the significant changes in Curriculum, Assessment Practices. The useful reading material will help you in your classroom Teaching-Learning processes. As Teachers play an important role in implementing all new changes taking place in the curriculum and also the new technologies in the field of education. It will provide an insight on all aspects of the content that is newly introduced like GST, Demonetisation, Entrepreneurship Development and other Government initiatives etc.

NCERT and CBSE have brought in the desirable changes in the textbooks and examination pattern to connect the text with real world of work in true sense. NCF 2005 also strongly emphasizes on the departure from rote learning to child centered-processes which is the core of Constructivist approach. The support material developed by SCERT / DIET is an initiative in this direction for capacity building of teachers.

I appreciate team of Contributors who have brought this Manual in the present shape. Special thanks are extended to Dr. G. S. Grewal, Prof. Shipra Vaidya and Mr. Vijay Kumar who have extended me their invaluable inputs for final vetting and editing of Manual.

Since substantial changes are there in the syllabus like History of Commerce, GST and its accounting implications in recording of transactions. Not for Profit has been shifted from class XI to class XII, you will find in Appendix the Sample Paper with Answer Scheme based on new inclusions. Accounting from incomplete record has been reintroduced after a gap of 5 years, hence this has also been included with some practice questions and hints for effective transaction. Sufficient practice needs to be given to students in the classroom. Pedagogy of teaching Commerce has also been discussed along with activity Bank which you will find interesting. FAQs and Quiz on GST will help you gain more clarity on the same.

I take this opportunity to express a deep sense of reverence and gratitude to Dr. Sunita S. Kaushik, Director, SCERT and Dr. Nahar Singh, Joint Director, SCERT for their continuous support and encouragement. I owe special thanks to Principal, DIET and all

my colleagues, Academic and Administrative Staff for facilitating and extending unconditional support at all stages of completing this assignment.

My sincere thanks are extended to Ms. Yashika, Lecturer, SCERT who has provided her valuable inputs and has been a constant support at all stages of development of this Manual. Special thanks are extended to the team of Contributors, Subject Experts, and their concerned authorities, Faculty of various Colleges /Institutes, DDEs and Officials of Directorate, Principals and Teachers of Government Schools, Aided / Public Schools for providing valuable suggestions and support at all stages of development of this Modules. I wish all Stakeholders an insightful reading.

I acknowledge and appreciate Dr. (Mohd.) Zameer, Principal, DIET, Rajinder Nagar for his unconditional support and academic and administration staff of DIET, Rajinder Nagar in completing the present manual.

***The observations, suggestions and comments related to the Manual are welcome.***

***Dr. Seema Srivastava***  
*Sr. Lecturer, DIET*



## ***Note to Readers***

### **COMMERCE EDUCATION IN INDIAN SCHOOLS**

Commerce as an area of study draws its content from the disciplines of management, finance, marketing, human resource development and accounting relating to business organizations. Commerce education facilitates students to appreciate that business activities are an integral component of society and develops an understanding of many social and ethical issues. It prepares students to manage, evaluate and respond to the economic, political, legal and social environment that affect business operations and analyze the interactions thereof. The subject also reflects curricular concerns such as gender, rural development, social justice and equity. Commerce education needs to broaden its base by bringing in issues of inclusive growth and sustainable development.

#### ***Background***

The first Commerce school was established in Chennai in 1898 by Trustees of Pachiyappa's Charities. The Government of India started a School of Commerce in Calcutta in 1895. Subsequently, Commerce classes started in the Presidency College, Kolkata in 1903. It started with the teaching of skill based courses like typewriting, short hand, business letter writing, book keeping and business methods. The Commerce education received the status of formal university level after the Sydenham College of Commerce and Economics was established in 1913 at Bombay. The Accounting Expert Committee appointed in 1948 came up with a recommendation to set up an autonomous association of accountants in India where registered accountants should be designated as 'Chartered Accountants'. This led to the setting up of Institute of Chartered Accountants of India (ICAI) in 1949. ICAI proved an important milestone in the history of accounting in India for its efforts to evolve the development of accounting standards to meet the socio-economic requirements of the country.

In 1960 there were 15 secondary education Boards in India which were concerned with commerce education up to the high school and higher secondary stages. The focus at that time was to meet the emerging manpower requirements in Business and to give students some kind of skill based training. In the post-independence period, commerce education emerged as one of the most potential pursuits in the wake of industrialization, economic development and techno-managerial revolution. However, the increasing service sector led to the expansion of banking, insurance, transportation and other related services and consequently the nature and scope of commerce education changed.

The National Policy on Education, 1986 emphasized the need to re-examine and update the content and process of education. The curriculum in Commerce was significant both in the context of NPE, 1986 as well as in the context of the demands of modern trade and industry in a technological world. It was observed that the system of

higher education was producing a prototype of manpower whereas a developing nation like ours required wider capabilities. There was a mismatch between types of capabilities demanded and the types of capabilities developed among students by the education system.

The year 1981 witnessed major shifts in economic and social development of the country and India opened its economy to world by adopting a policy of economic liberalization, privatization and globalization. As the economy became more industrialized and foreign direct investment was encouraged, the knowledge and skills to deal with the changed milieu. The increasing complexity of business made it obligatory for students to be conversant with the principles and practice of management.

### **Status of Commerce Education in India**

In 2000 (NCFSE-2000), two courses in Commerce were offered at the higher secondary stage viz. Business Studies and Accountancy. In business studies there was a major departure with the content including components of business environment and managerial response to changes thereof. The objective was to include contemporary issues like economic policy, industrial policy, liberalization, globalization and privatization, disinvestment, multinational companies, international business and business ethics etc.

The National Curriculum Framework, 2005 re-emphasized values of social justice and equity, gender, rural development, marginalized sectors of society, local perspective along with the national, environmental issues and connecting knowledge to life outside school. In business studies, the course was designed to incorporate gender concerns, rural development, social justice and equity. Social responsibility of business includes aspects of social justice and equity, environmental concerns and business ethics, small business integrated the concerns of rural development, tiny and cottage industries and incentive schemes in hilly and rural regions.

The textbooks enrichment material in boxes which are examples of events from the real business world and companies, current business news/ items/ abstracts from newspapers and magazines, connecting them to textual knowledge, simple case studies and case problems have been included to allow for creative thinking and innovative solutions by the students. In Accounting computerized accounting has become an integral part of business and accounting operations. Keeping this in view, computerized accounting system, its components, features and software, spread sheet and business corporations, and data base management system for Accounting has been introduced in this course.

### **Commerce Curriculum in different states**

Commerce as a stream consists mainly of two courses: Business Studies and Accountancy. Some state boards are offering other optional courses like

Entrepreneurship Development, Secretarial Practice and Cooperation and separate mathematics and statistics and Computerized Accounting System courses to commerce students.

The syllabi Business Studies and Accountancy developed by NCERT as a follow up of National Curriculum Framework 2005 has been adopted by CBSE and majority of state boards in the country viz. Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Rajasthan, Chandigarh, Jharkhand, Sikkim, Meghalaya, Manipur, Nagaland, Arunachal Pradesh, Kerala etc. Other states like Maharashtra, Bihar, Madhya Pradesh, Punjab has adapted NCERT syllabus with modifications and the basic structure of the syllabus being the same.

States like Gujarat, Karnataka, Andhra Pradesh, Orissa, Uttar Pradesh and Tamil Nadu have formulated their own syllabi in Commerce. There are some states such as Uttar Pradesh which are offering commerce subjects at the secondary stage i.e. classes IX and X.

The areas covered in business studies include organization of business (business, industry and trade- national and international, corporate and public sector, consumer protection and e-business), management functional areas (marketing, financial management and markets, human resource development). Accounting includes fundamentals of financial accounting, computerized accounting and specialized accounting procedures for trading and non trading organizations, partnership and corporate accounts, consignment, joint venture and financial statement analysis.

### **Commerce Education and Skill Development**

Commerce is also introduced as one of the distinct vocational stream in the country. The courses under vocational commerce include: accounting and auditing, banking, business management for small scale industries, insurance, international trade, materials management, office secretarial ship, marketing and salesmanship, taxation, public relations, computer application in business.

School education is considered important for acquiring necessary skills and competencies for students to enter the world of work. Commerce education, as a distinct option intends to prepare students for identified vocations spanning Business and Industry areas. Commerce education is a practical course which imparts skill education linked to employability and human resource development. The National Skills Development Council, under NSDA, has identified around twenty two sectors and has set a target of preparing five hundred million skilled persons by 2022.

## **Teaching Learning Objectives of Commerce Education**

The study of commerce (business studies and accounting) is significant to the society. Commerce education enables students to:

- i. Develop an understanding of the dynamic nature of business, its environment and inter related aspects of society
- ii. Apply accounting concepts and standards for preparing financial statements of a business entity.
- iii. Appreciate the economic and social significance of business activity and the social costs and benefits arising thereof.
- iv. Develop an understanding of management and accounting as an information system.
- v. Appreciate the concerns relating to human rights and child rights so as to function as responsible consumers, employers, employees and citizens of society
- vi. Inculcate entrepreneurial skills for effective transition from school to the world of work including self employment.

## **Interrelationship of Commerce with various disciplines**

### ***Commerce and Political Science***

Business is affected by a nation's form of government and its political environment. A country's law on trade, contracts, negotiable instruments and property etc., has a direct bearing on business practices, both in the national and international contexts.

### ***Commerce and Economics***

The development of business is linked with economic development of society. Economics is concerned with allocation and distribution of scarce resources. It provides us with an understanding of the changing economy, competition and free markets in the global context. Understanding of trade and other policies is absolutely essential to any business operating in the global market place.

### ***Commerce and Sociology***

There are certain sociological concerns that have relevance to businesses. For example, how are societal changes, such as globalization, increasing cultural diversity, changing gender roles affecting business practices? These and other concerns have a major effect on how managers operate their businesses.

### ***Interface of commerce with Science and Technology***

There is a need to bring industry and academic expertise together to augment the financing of scientific discoveries. A system needs to be created to encourage scientists in research and development, protecting their intellectual property rights for the development of society. Viable business models and financial support such as venture capital, angel funding are required to support science, technology and innovation driven entrepreneurship. Businesses are also investing in young innovators and entrepreneurs through education, training and mentoring.

### **Making Commerce Education Inclusive**

- i. Commerce Education needs to broaden its base by bringing in issues of inclusiveness, growth and sustainable development. The real challenge lies in understanding how certain groups like women, minorities, marginalized and groups with disabilities can be organized and linked to productive opportunities that can generate income on equitable terms. The objective of commerce education is also to empower these groups for improved livelihood which can be leveraged for their upliftment.
- ii. India is a multicultural society and all groups have equal rights to co-exist and flourish. Social environment of business needs to reflect examples from all regions so that students have fair idea of the pluralistic society in which we live.
- iii. Commerce education promotes women entrepreneurship thereby changing the mindset of people to accept/acknowledge the contribution of women in business. It promotes girls' education so that they may enhance their skills and choose self employment as a career option. Banks for women have been set up in the country to promote savings and investment by rural women, in particular.
- iv. Rural development and growth is a priority area and is given special emphasis in all documents pertaining to economic development. SMEs and agro based industries have been included to make students aware of gram bank, micro finance facilities for farmers, women and marginalized groups. Rural demands and markets are given special attention by the business organizations. Such initiatives need to be incorporated in the syllabus.
- v. Social responsibility of business discusses how business unit takes care of the society of which it is a part. Every business needs to act in a socially desirable manner and respect its employees, the community and the environment in which it operates. They also facilitate creation of social enterprises to address the needs of the population at the bottom of the pyramid.
- vi. Corporate social responsibility in the commerce curriculum emphasizes on values of Social equality and justice, peace and harmony, cooperation and

business ethics. Cooperative societies, international business and agreements such as WTO are based on spirit of cooperation. Management involves doing work systematically resolving conflict situations and coordination of activities ensures harmonious relationships and concepts of peace are revisited.

- vii. Child rights include the rights for children to develop their full potential, free from hunger and want, neglect and abuse. Basic quality of life should be the right of all children. Many children suffer from poverty, homelessness, abuse, neglect preventable diseases, unequal access to education and justice systems that do not recognize their special needs. The National Commission on Protection for Protection of Child Rights recognizes four basic rights viz., right of survival, right to development and education, right to protection and right to participation. Commerce education sensitizes students about these issues while discussing business ethics, social responsibility and equitable wages to labour, human rights, setting up lawful businesses etc.

### **Pedagogy of Commerce**

According to constructivist learning principles, the learning process should focus on developing skills of the learner to construct and reconstruct knowledge in response to situational demands and opportunities. Thus, variety of teaching styles needs to be employed by the schools for practical understanding of the subject.

It may include:

- i. **Case Study Method:** Case study simulates the real world since cases can be written at varying levels of complexity for all students. Cases can be used to describe a business situation or an event in a organization relating to their learning experiences. The content of the case has to be real and its information can be gathered from newspapers, business magazines and also by reviewing source documents, relevant reports and other business records of an organization.
- ii. **Simulation Games** is an innovative teaching technique which actively involves students in the learning process. It comprises role plays, business puzzles and crosswords, quizzes, computer assisted games etc. It has a wide scope and the topics such as marketing, import export procedures, retail trade, management principles, stock exchange, savings and investments etc. Simulation games enhances student's involvement and maintain their interest leading to effective learning and longer retention of content learnt. These games have certain features like defined rules and objectives, fixed number of participants, competition with cooperation and team spirit.

### **iii. Industrial visits:**

Organizing visits to banks, factories, small scale business units and post offices is a great help in familiarizing students to the real business world. The students understand the relevance and application of textual content learnt in the classroom. It also gives them an exposure to variety of career options in business and industry. Industrial visits to small and medium enterprises provide an insight into the use of existing natural resources and employment patterns for the development of local area. This will give them a practical exposure to the various processes and an opportunity for understanding linkages with industry.

### **iv. Commerce Club**

Commerce clubs may be constituted in schools to undertake types of co-curricular activities relating to commerce education such as: running a school bank, cooperative store, conducting educational visits to the places of commercial importance, essay/debate/discussions on contemporary issues in business, financial literacy, competition laws, Intellectual property rights etc and to undertake community development programs. Setting up Commerce Club provides opportunities for enriching their experiences and strengthens home-school-community relationship. In fact, the commerce club should consider the following possibilities for their students:

- (a) Participation in local economic activities, production and services, within the school or community-based training sites for entrepreneurship development
- (b) Participation in community-based activities such as literacy drive, health campaigns, agro horticulture, care for the old, etc.
- (c) The commerce club creates space for new ideas, initiatives and collaborations and assessment of and willingness to take risks. The education should be more open to the outside world.
- (d) The partnership between educational institutions and the business community represents an essential link in developing the entrepreneurial culture in schools.
- (e) Commerce club helps in promoting values of equality, social justice and concerns of gender and environment.

### **v. ICT Environment for Commerce Education**

The world of business is witnessing changes demanding updation to bridge the gap between theory and practice. The changed scenario demands rapport with business and industry to elicit industry needs and requirements. Besides, there is an urge for acquiring skills and competencies needed by students to enter the

world of work. With the growth of service sector in the economy, students need to learn soft skills along with the hard skills. More and more employment opportunities are available in service sector especially retailing, banking, insurance, telecom, hospitality, BPO, IT etc.

The technological revolution has further provided new dimensions such as such as E-banking, E-Marketing, E-Commerce, E-Finance, E-investment (paperless trading) accounting as an information system, forensic accounting have been gaining importance in recent times. At the same time, the out sourcing business and IT based services are also expanding very fast. New skills and training are required to cope up with these changes. E-Commerce involves conducting business using modern communication instrument like internet, E-data interchange, money transfer system. It provides multiple benefits to the consumers in the form of availability of goods at lower cost, wider choice and save time and efforts.

#### **vi. Multiple Teaching Learning Resources**

A variety of teaching learning materials needs to be prepared for a holistic understanding of any discipline. This may include textbooks, supplementary reading materials for students, Dictionaries, Audio visual materials, E-content, and Training packages and Teachers' handbook for effective teaching learning. It should enable students to construct an understanding of accounting practices such as Accounting Standards and International Financial Reporting Standards (IFRS) in the global context.

#### **Teacher Training and Preparedness**

##### ***In-service***

The teachers play a pivotal role in the teaching learning process, therefore they must keep abreast of recent developments in pedagogy and content. Accordingly in-service teacher education is required for the following reasons:

- i. To update teachers with contemporary developments in Business Studies and Accountancy.
- ii. To provide enrichment materials relating to new provisions in the Companies Act; changes in business environment, financial markets etc.
- iii. To appraise teachers on the use of ICT to enhance the learning process.
- iv. To apply constructivist approach for effective transaction of the curriculum.
- v. To apply the case study approach using real business situations.
- vi. To incorporate the concerns of NCF-2005 in the teaching learning process.



- vii To provide practical experience in computerized accounting systems.

### **Way Forward/Recommendations**

The commerce curriculum needs to respond to challenges in the business environment. The content of commerce subjects is shaped by practical aspects of business and economy. Business enterprises have to constantly update themselves and keep abreast with changes in trading and accounting practices, procedures of Institute of Chartered Accountants of India and International Financial Reporting Standards. Businesses operate in a global environment and fluctuations in the world economy affect Indian business and markets. Contemporary areas need to be included to make the syllabus forward looking as well as ensuring standardization and comparability both in national and international contexts.

Current changes in certain areas need to be considered such as Development and Business, ways of looking at modern business holistically, E-business, trends in Banking and Insurance, new sources of business finance, Rural business and banking, micro finance institutions, changes in financial markets, FDI in retail trade, Business Environment-latest trends, financial crisis, accounting standards and its applicability in specialized accounts (partnership and company). Projects, activities, case studies and ICT should be made an integral part of the curriculum to link classroom teaching with the business world. Teacher education programs, both pre service and in-service, need to be revamped on regular basis for effective curriculum transaction.

## CHANGES IN SYLLABUS

<b>SUBJECT : <u>BUSINESS STUDIES</u></b>	
<b>CLASS XI</b>	<b>CLASS XII</b>
UNIT 1 Foundation of Business Studies <ul style="list-style-type: none"> <li>History of Commerce in India</li> </ul> <b>Part B</b> UNIT 8 – Corporate Organisation, Finance and Trade <ul style="list-style-type: none"> <li>Process Entrepreneurship Development , Intellectual Property Rights and Entrepreneurship (transfer from Class XII to XI)</li> <li>Start up India Scheme</li> </ul>	<b>Part A</b> UNIT 3 (Business Environment) Demonetisation- Features  <b>Project Work</b> Only one Project for 20 Marks
<b>SUBJECT : <u>ACCOUNTANCY</u></b>	
<b>PART A</b> UNIT 1 Theoretical Framework Characteristics and Objectives of GST(Goods and Services Tax) UNIT 2 GST Simple calculations for recording business transactions (excluding Reverse Charge) <b>PART B - Financial Accounting</b> UNIT 3 Accounting from Incomplete Records Preparation of Trading and Profit & Loss A/c (Conversion Method) UNIT 4 Computers in Accounting Provision of Accounting Software to learn basic accounting operation	<b>Part A</b> UNIT 1 <ul style="list-style-type: none"> <li>Accounting for Not for Profit Organisations (shifted from Class XI to class XII)</li> <li>Treatment of Goodwill as per AS-26 in Admission of Partner</li> </ul> UNIT 3 Accounting for Companies related section of Companies Act 2013 will apply (generally applicable)

***\*Refer Appendix for complete CBSE Syllabus for the year 2018-19***

## GOODS AND SERVICES TAX

### FACTS, FEATURES & CHARACTERISTICS

The Government of India, following the credo of *'One Nation and One Tax'*, and wanting a unified market in order to ensure the smooth flow of goods across the country implemented the Goods and Services Tax (GST) from July 1, 2017. The move also aims to make life easier for manufacturers, producers, investors and consumers. This system is regarded as the most revolutionising tax reform in the Indian taxation history. Tax apart from being a source of revenue for growth also plays a key role in making the State accountable to its taxpayers. Effective taxation ensures that public funds are effectively employed in fulfilling social objectives for sustainable development. GST is a destination-based single tax on the supply of goods and services from the manufacturer to the consumer, and has replaced multiple indirect taxes levied by the Central and the State governments, thereby, converting the country into a unified market.

#### Did You Know?

Every State and Union Territory has its own Central GST Act and State GST Act. For example, Delhi will have its own Central GST (CGST) Act and Delhi GST (DGST) Act. Similarly, Tamil Nadu will have Central GST (CGST) Act and Tamil Nadu GST (TNGST) Act. Central Government has integrated GST Act (IGST) but for the purpose of better and clear understanding, GST is discussed as CGST, SGST and IGST instead of discussing GST for each state separately.

Besides, GST is expected to improve the ease of doing business in tax compliance, reduce the tax burden by eliminating tax on tax, improve tax administration, mitigate tax evasion, broaden the organised segment of the economy and boost tax revenues. The GST has replaced 17 indirect taxes (8 Central + 9 State levels) and 23 cesses of the Centre and the States, eliminating the need for filing multiple returns and assessments and rationalising the tax treatment of goods and services along the supply chain from producers to consumers.

GST comprises Central GST (CGST) and the State GST (SGST), subsuming levies previously charged by the Central and the State governments respectively. GST (CGST + SGST) is charged at each stage of value addition and the supplier off-sets the levy on inputs in the previous stages of value chain through the tax credit mechanism. The last dealer in the supply chain passes on the added GST to the consumer, making GST a destination-based consumption tax. The provision of availing input credit at each stage

of value chain helps in avoiding the cascading effect (tax on tax) under GST, which is expected to reduce prices of commodities and benefit the consumers.

### **Some Facts about GST**

1. GST aims to subsume a plethora of taxes into one single tax across the country and make goods uniformly priced across India, albeit some goods become costly and some become cheaper.
2. With the implementation of GST, luxury goods have become costlier, while items of mass consumption have become cheaper.
3. GST is not taxation at source. It is a destination tax or rather it's a consumption tax. A product is manufactured in Tamil Nadu and travels through the country before it reaches Delhi, where the buyer or consumer pays tax for it. Both the Centre and the State have their share in this tax.
4. The Indian GST will have a mechanism of matching of invoices. Input tax credit of purchased goods and services will only be available if the taxable supplies received by the supplies received by the supplier. The Goods and Services Tax network is a self-regulating mechanism, which not only checks tax frauds and tax evasion, but also brings in more and more businesses into the formal economy.
5. Anti-profiteering measure is one of the key features of the recently implemented Goods and Services Tax law. These measures prevent entities from making excessive profits. Since the GST, along with the input tax credit, is eventually expected to bring down prices, a National Anti-profiteering Authority (NAA) is to be set up to ensure that the benefits accrued to entities due to reduction in costs is passed on to the consumers. Also, entities that hike rates inordinately, citing GST as the reason, will be checked by this body.

### **GST-for a common Citizen**

- ✓ Reduction in overall tax burden
- ✓ No hidden taxes
- ✓ Development of a harmonized national market for goods and services
- ✓ Higher disposable income in hand, education and essential needs
- ✓ Customers to have wider choice
- ✓ Increased economic activity
- ✓ More employment opportunities

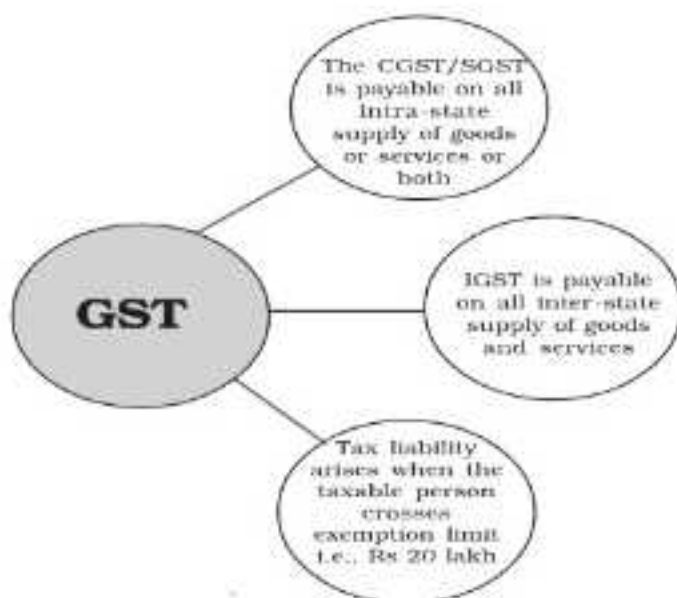
## Key Features of GST

1. The territorial spread of GST is the whole country, including Jammu and Kashmir.
2. GST is applicable on the 'supply' of goods or services as against the present concept of tax on the manufacture or sale of goods or on the provision of services.
3. It is based on the principle of destination-based consumption tax against the present principle of origin-based taxation.
4. Import of goods and services is treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
5. CGST, SGST and IGST are levied at rates mutually agreed upon by the Centre and the States under the aegis of the GST Council.
6. There are four tax slabs namely 5 per cent, 12 per cent, 18 per cent and 28 per cent for all goods or services.
7. Exports and supplies to SEZ are zero-rated.
8. There are various modes of payment of tax available to the taxpayer, including Internet banking, debit/credit card and National Electronic Funds Transfer (NEFT)/Real Time Gross Settlement (RTGS).

### **GST Council – Constitution**

- Chairperson: Union Finance Minister
- Vice Chairperson is to be chosen amongst the Ministers of State Government
- Members: MoS (Finance) and all Ministers of Finance/Taxation of each State
- Quorum is 50% of total members
- States have two-third weightage and Centre has one-third weightage
- Decision is taken by 75% majority
- The Council shall make recommendations on everything related to GST including, rules and rates, etc.





## GOODS AND SERVICES TAX (GST)

Goods and Services Tax (GST) as the name implies is an indirect tax levied on supply of goods and / or services or both and is levied on each supply thereof. It is a comprehensive Indirect Tax levied at the prescribed rate replacing all indirect taxes levied earlier, except the following:

1. Customs Duty (levied on import of goods);
2. Indirect Tax levied on alcohol for human consumption;
3. Indirect Tax on Petroleum; and
4. Taxes levied by Local Bodies.

### Characteristics of Goods and Services Tax (GST)

The characteristics of GST are:

**1. Comprehensive Indirect Tax:** GST is a comprehensive indirect tax which replaced all indirect taxes that were earlier levied except Custom Duty, taxes on alcohol for human consumption, taxes on petroleum and taxes levied by Local Bodies.

**2. Value Added Tax:** GST is a Value Added Tax because GST Paid (termed as Input GST) is set off against GST Collected (termed as Output GST). As a result, GST is levied on the incremental value of goods and/or services supplied (sold). For example, goods are purchased for Rs. 1,00,000 paying IGST @ 12%, i.e., Rs. 12,000 are sold for Rs. 1,50,000 charging IGST @ 12%, i.e., Rs. 18,000 Rs. 12,000 paid at the time of

purchase is set off against Rs.19,000 charged at the time of sale and balance Rs.6,000 is payable to the Government. Thus, in effect, at the time of sale of goods, GST is levied on difference amount of purchase cost and sale value i.e. Rs. 50,000. Thus, it is a Value Added Tax.

**3. GST Paid Not a Cost:** GST Paid at the time of purchase of goods and/or services or both is not a cost for the purchaser, except where GST Paid is not allowed to be set off (discussed later) instead it is an asset since GST Paid can be set off against GST Collected at the time of sale of goods and/or services.

**4. GST Collected is not an Income:** GST Collected at the time of sale of goods and/or services is not an income of the seller but is a liability and is payable to the Government after GST Paid is adjusted against GST Collected. It is to be noted that GST Paid can be set off against GST Collected in the prescribed order.

**5. Uniform GST Rate on Goods and Services Across all States:** Every State and Union Territory has their own Goods and Services Tax Acts. However, GST is levied on goods and/or services supplied (sold) under each classification at the same rate.

#### **OBJECTIVES OF GOODS AND SERVICES TAX (GST)**

**1. Developing Common National Market:** GST is levied at uniform rate on same goods and services in all the States and Union Territories. For example, GST is levied on furniture (say) @ 18% across India. It sets a ground for developing common national market.

**2. Value Added Tax:** GST is a Value Added Tax because of the reason that GST paid is set off against GST collected. Thus, in effect, GST is levied only on incremental value of goods sold.

**3. Business Operation becoming Easier:** Presently, a business is subject to one Indirect Tax (GST) against earlier indirect tax system where it had to register with different authorities such as Excise Duty, Sales Tax and Service Tax etc.

**4. Better Management of Tax:** GST is a single indirect tax and being administered through computer system, has resulted in better tax management by the Government. For example, credit for input GST is verified by computer system and credit is granted.

**5. Goods becoming cheaper:** Since GST Paid is set off against GST Collected, it will result in goods and services becoming cheaper.

**6. Attracting Foreign Investors:** Investment from outside India was low because of multiple indirect taxes. Introduction of GST and removal of multiple indirect taxes shall increase Foreign Direct Investment (FDI) in India.

**7. Uplifting GDP:** Under GST transactions in businesses will be largely accounted and will result in increase in tax collection by the Government, resulting in uplifting GDP.



## CLASSIFICATION OF GOODS AND SERVICES TAX (GST)

Supply of Goods and / or Service or both may be made within the State, called Intra – state Sale or outside the State, called Inter – state Sale GST is levied on all supplies as follows:

### On Intra – state Supply (Sale)

On Intra – state Supply (Sale) two kinds of GST are levied as follows:

#### 1. Central GST (CGST)

It is levied on intra-state supply (i.e., supply within the state) of goods and/or services or both along with SGST. CGST is levied at half of the prescribed rate of tax. For example, if rate of GST is 12%, 6% will be levied as CGST and 6% as SGST (or UTGST).

#### 2. State GST (SGST) or Union Territory GST (UTGST)

It is also levied on intra-state supply (i.e., supply within the state) of goods and/or services or both along with CGST. SGST (or UTGST) and CGST is levied at half of the prescribed rate of tax. For example, if rate of GST is 12%, 6% will be levied as SGST and 6% as CGST (or UTGST).

**Note:** For the discussion, SGST and UTGST are referred as SGST.

On Inter – state Supply (Sale) one GST ie IGST is levied.

#### 1. Integrated GST (IGST)

IGST is levied on inter-state supply (i.e., supply outside the state) of goods and/or services, import of goods and/or services or both into India and export of goods and/or services or both from India.





### Extended Learning

#### 'REVERSE CHARGE' (Not in Syllabus)

*Reverse Charge means that GST is not charged by the person selling the goods and/or services or both but is paid to Government by the person purchasing the goods and/or services or both. It is later claimed as **Input Credit**. Goods and/or services under Reverse Charge are: Payment of fee to Lawyers; Payment for Use of Copyright; Purchase of Goods and/or Services by Registered Person from Unregistered Person; Transport of Goods; Insurance Commission; and Sponsorship.*

#### CATEGORISING GST FOR ACCOUNTING PURPOSES

GST Paid (Input CGST, Input SGST and Input IGST) individually is set off against GST Collected (Output CGST, Output SGST and Output IGST) individually in the prescribed order. Therefore, it becomes necessary that separate accounts for Input CGST, Input SGST, Input IGST, Output CGST, Output SGST and Output IGST be maintained. The GST Accounts maintained are

**1. Input CGST:** Input CGST is the CGST Paid on intra-state purchase (supply) of Goods and/or Services or both. Input CGST can be set off against Output CGST and Output IGST in that order.

**2. Input SGST:** Input SGST is the SGST Paid on intra-state purchase (supply) of Goods and/or Services or both. Input SGST can be set off against Output SGST, Output IGST in that order.

**PLEASE NOTE**

*On intra-state supply of goods and/or services or both, both CGST and SGST are levied at half of the specified rate. For example, if specified rate is 18%, both CGST and SGST will be levied @ 9% each.*

**3. Input IGST:** Input IGST is the IGST Paid on inter-state purchase (supply) of Goods and/or Services or both and it can be set off against Output IGST, Output CGST and Output SGST in that order. IGST is also levied on goods and/or services imported from outside the country.

**4. Output CGST:** Output CGST is the CGST Collected on intra-state sale (supply) of Goods and/or Services or both along with SGST.

**5. Output SGST:** Output SGST is the SGST Collected on intra-state sale (supply) of Goods and/or Services or both along with CGST.

**6. Output IGST:** Output IGST is the IGST Collected on inter-state sale (supply) of Goods and/or Services or both. In the case of inter-state sale, only IGST is levied.

**ACCOUNTING OF GOODS AND SERVICES TAX (GST)**

(a) **Input GST:** Input GST is set off against Output GST; hence, till it is set off it is an asset. If Input GST is not allowed to be set off against Output GST it is accounted as cost / expense. Input GST is therefore debited to Input GST, i.e., Input CGST Account, Input SGST Account or Input IGST Account.

(b) **Output GST:** Output GST is collected at the time of sale of goods and/or services or both and is payable to Government after setting it off against Input GST. Hence, it is a liability and is accordingly credited to Output GST, i.e., Output CGST Account, Output SGST Account or Output IGST Account.

**Setting Off Input GST against Output GST**

**Input GST (GST Paid)** is set-off against **Output GST (GST Collected)** in the prescribed order. It is explained below with the help of a diagram.

### Set off of Input GST



### Reversal of Input GST and Output GST

Input GST (CGST and SGST or IGST) is reversed (credited) in the following circumstances:

- (a) Goods returned to the seller;
- (b) Drawings of Goods by the proprietor;
- (c) Goods given as free samples;
- (d) Goods lost in fire or damage or are stolen or have become unsaleable; and
- (e) Goods are given in charity

*Input GST is reversed because of the reason that these goods will not be sold further and hence GST (either CGST and SGST or IGST) will not be collected.*

### ACCOUNTING OF GST PAID (INPUT GST)

#### When GST Paid on Supply (Purchase) can be set off against GST Collected?

GST Paid at the time of purchase of goods and/or services or both that can be set off against GST Collected at the time of sale of goods and/or services or both is debited to a separate account head, i.e., Input CGST or Input SGST or Input IGST as the case is. Thus, GST Paid on purchases of goods and/or services or both that can be set off against GST Collected is debited to Input GST (under CGST, SGST or IGST as per category of GST Paid) Account.

Therefore, accounting of GST Paid on purchase of goods and/or services or both will differ depending on whether GST Paid can be set off against GST Collected or not.

### **When GST Paid on Supply (Purchase) cannot be set off against GST Collected?**

GST Paid on purchase of goods and/or services or both that cannot be set off against GST Collected on sale of goods and/or services or both is debited to the asset / expense on which it has been paid. In other words, it is accounted as cost. For example, Mohit visits a restaurant and paid a bill of Rs. 1,200 inclusive of CGST Rs. 100 and SGST Rs. 100. GST Paid for food and beverages bill is not allowed to be set off against GST Collected (Output GST). It means that Mohit should debit Business Promotion Account by Rs. 1,200.

*Examples of supply (Purchase) of Goods and/or Services on which GST Paid cannot be set off are*

- (i) Food and Beverage Expenses (Restaurant Bills);
- (ii) Membership Fee of Club, Health and Fitness Centre;
- (iii) Health Insurance;
- (iv) Repairs and Maintenance (Building);
- (v) Free Gifts to Staff;
- (vi) Purchase of Vehicles by an enterprises not engaged in transport business;
- (vii) Goods and/or Services for personal consumption; and
- (viii) Goods and/or services purchased for sale which are exempt from levy of GST.

### **GST Paid (Input GST) is reversed in the following cases:**

- (i) Goods lost or stolen;
- (ii) Goods destroyed;
- (iii) Goods written off;
- (iv) Goods given as gift (charity);
- (v) Goods given as free sample; and
- (vi) Goods as may be prescribed.

### **Supply of following goods and/or services are exempt from levy of GST:**

- (i) Salaries and Wages;
- (ii) Supply of Services to Government;
- (iii) Supply to Embassies of other countries;
- (iv) UNO;
- (v) Educational Services;
- (vi) Health Services; and
- (vii) Electricity and Water Bills.

### **Electronic Cash Register**

It is a record kept by the GST Authority for every taxpayer for each kind of GST i.e., CGST, SGST and IGST. Input GST of the taxpayer is credited while Output GST is debited. Input GST is credited in the Electronic Cash Register because it is paid by the



taxpayer but will be adjusted against Output GST. Output GST is debited because the taxpayer has collected GST on behalf of the Government and is payable to it after adjusting it against Input GST. Taxpayer can draw his account from Electronic Cash Register and reconcile with his accounts.

It can be related to the Concept of Bank Reconciliation Statement where the amount deposited in the Bank is credited by the Bank in the Pass Book or Bank Statement and amount withdrawn is debited. Account holder reconciles the Bank Account maintained by him with the Bank Pass Book or Bank Statement and thereafter if necessary passes the entries rectifying his accounts.

### **Accounting Entries**

Examples of entries passed for accounting of GST Paid or Collected are given below:

#### **(i) Purchase of Fixed Assets**

Fixed Asset A/c (Say Machinery)	...Dr.
Input CGST A/c	...Dr.
Input SGST A/c	...Dr.
Input IGST A/c	...Dr.
To Vendors' A/c	
(Being the machinery purchased and Input CGST, Input SGST and Input IGST claimed)	

#### **(ii) Journal Entry for Purchase of Goods**

Purchases A/c	...Dr.
Input CGST A/c	...Dr.
Input SGST A/c	...Dr.
Input IGST A/c	...Dr.
To Creditors' A/c	
(Being the purchases made)	

#### **(iii) Journal Entry for Sale of Goods**

Debtors' A/c	...Dr.
To Sales A/c	
To Output CGST A/c	
To Output SGST A/c	
To Output IGST A/c	
(Being the sales made)	

#### **(iv) Journal Entry for Purchases Return**

Creditors' A/c	Dr.
To Purchases Returns A/c	

To Input CGST A/c  
 To Input SGST A/c  
 To Input IGST A/c

(Being the purchases returns)

In the event of Purchases Return, Input GST (CGST, SGST or IGST) Account is credited because at the time of purchase of goods and/or services Input GST (CGST, SGST or IGST) Account was debited.

**(v) Journal Entry for Sales Return**

Sales Returns A/c	...Dr.
Output CGST A/c	...Dr.
Output SGST A/c	...Dr.
Output IGST A/c	...Dr.
To Debtors' A/c	

(Being the sales returns)

In the case of Sales Return, Output GST (CGST, SGST or IGST) Account is debited because at the time of sale of goods and/or services Output GST (CGST, SGST or IGST) Account was credited.

**(vi) Journal Entry for Expenses**

Printing and Stationery Expenses A/c	...Dr.
Telephone Expenses A/c	...Dr.
Input CGST A/c	...Dr.
Input SGST A/c	...Dr.
To Cash/Bank A/c	

(Being the stationery purchased and telephone bill Paid,  
 Input CGST and Input SGST claimed)

**(vii) Journal Entry for Drawings of Goods by Partner, Goods Given as Samples, Goods Destroyed by fire, Goods Stolen, etc.,**

Partner's Capital/Current A/c	...Dr.
Business Promotion A/c	...Dr.
Loss by Fire A/c	...Dr.
Loss by Theft A/c	...Dr.
To Purchases A/c	
To Input CGST A/c	
To Input SGST A/c	
To Input IGST A/c	

(Being the goods taken by partner for personal use, hence  
 Input CGST, Input SGST and Input IGST reversed)

(viii) **Setting off Input CGST against Output CGST**

Output CGST A/c Dr.

To Input CGST A/c

(Being the Input CGST set off against Output CGST)

(IX) **Setting off Input CGST against Output IGST**

Output IGST A/c Dr.

To Input CGST A/c

(Being the Input CGST set off against Output IGST)

(x) **Setting off Input SGST against Output SGST**

Output SGST A/c .....Dr.

To Input SGST A/c

(Being the Input SGST set off against Output SGST)

(xi) **Setting off Input SGST against Output IGST**

Output IGST A/c Dr.

To Input SGST A/c

(Being the Input SGST set off against Output IGST)

(xii) **Setting off Input IGST against Output IGST**

Output IGST A/c Dr

To Input IGST A/c

(Being the Input IGST set off against Output IGST)

(xiii) **Setting off Debit Balance in Input CGST or SGST against Credit Balance in Output IGST**

Output IGST A/c Dr.

To Input CGST A/c

To Input SGST A/c

(Being the Output IGST set off to Input CGST and Input SGST)

(xiv) **Payment of GST to Government**

Input CGST A/c	Dr
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Input SGST A/c	Dr
----------------	----

Input IGST A/c	Dr
----------------	----

To Bank A/c

(Being the GST deposited)

*Journal entries with GST illustrated:*

(i) Bought goods for Rs 10 000 paid CGST and SGST @ 6% each

Purchases A/c	Dr.	10,000	
Input CGST A/c	Dr.	600	
Input SGST A/c	Dr.	600	
To Cash A/c			11,200

Input CGST A/c	Dr	600
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Input SGST A/c	Dr.	600
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To Cash A/c	11,200
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(Being the goods purchased for cash, paid CGST and SGST @ 6% each)

(ii) Purchased goods from Amrit for Rs. 30,000 paid CGST and SGST @ 6% each.

Purchases A/c	...Dr.	30,000	
Input CGST A/c	...Dr.	1,800	
Input SGST A/c	...Dr.	1,800	
To Amrit			33,600

(Being the goods purchased from Amrit, CGST and SGST @ 6% each)

(iii) Purchased goods from Vinay for Rs. 40,000 plus CGST and SGST @ 6% each, issued him cheque Rs. 20,000, balance payable after two months.

Purchases A/c	...Dr.	40,000	
Input CGST A/c	...Dr.	2,400	
Input SGST A/c	...Dr.	2,400	
To Bank A/c			20,000
To Rakesh			24,800

(Being the goods purchased from Vinay, paid CGST and SGST @ 6% each. Balance payable after two months)

(iv) Purchased goods from Bikram for Rs. 50,000. It is an inter-state purchase. GST is to be charged @ 12% against cheque payment.

Purchases A/c	...Dr.	50,000	
Input IGST A/c	...Dr.	6,000	
To Bank A/c			56,000

(Being the goods purchased against cheque along with IGST @ 12%)

(v) Sold goods to Mahmood for Rs. 20,000, charged CGST and SGST @ 6% each.

₹

Mahmood	...Dr.	56,000	
To Sales A/c			50,000
To Output CGST A/c			3,000
To Output SGST A/c			3,000

(Being the goods sold to Mahmood, charged CGST and SGST @ 6% each)



(vi) Sold Goods for Rs.6,000, charged CGST and SGST @ 6% each.

Cash A/c	...Dr.	6,720	
To Sales A/c			6,000
To Output CGST A/c			360
To Output SGST A/c			360

(Being the goods sold for cash,  
charged CGST and SGST @ 6% each)

**Note: In this question Purchaser's name is not mentioned hence, it is a cash transaction. Also, in the transaction, it is not mentioned whether it is intra – state transaction or inter – state transaction. Hence, it taken as intra – state transaction.**

(vii) Made local sale to Sudhir for Rs.50,000, charged CGST and SGST @ 6% each against

cheque for Rs.6,000, balance to be received after two months.

Bank A/c	...Dr.	6,000	
Sudhir	...Dr.	50,000	
To Sales A/c			50,000
To Output CGST A/c			3,000
To Output SGST A/c			3,000

(Being the goods sold to Sudhir,  
charged CGST and SGST @ 6%  
each and received cheque for  
Rs. 6,000. Balance receivable  
after two months)

(viii) Sold goods to Darpan for Rs.60,000 against cheque, charged IGST @ 12%. Allowed Cash Discount of 2%.

Bank A/c	...Dr.	65,856	
Discount Allowed A/c	Dr.	1,344	
To Sales A/c			60,000
To Output IGST A/c			7,200

(Being the goods sold to Darpan,  
charged IGST @ 12% and allowed  
Cash Discount)

**Note:** Cash Discount is allowed on total amount due from Darpan since the question states that Cash Discount is allowed @ 2%. If the question states, Cash Discount is to be allowed on amount net of GST, it will be allowed on Rs. 60,000.

(ix) Computer Purchased by Jain Sons, Delhi for office use from HP Ltd., Noida (UP) for Rs. 50,000 plus IGST @ 12%, payment made by internet banking.

Computer A/c	...Dr.	50,000	
Input IGST A/c	...Dr.	6,000	
To Bank A/c			56,000

(Being the computer purchased,  
plus IGST, paid through internet  
banking)

**Notes:** Jain Sons is based in Delhi and has purchased computer from Noida (UP). Hence, it is an inter – state transaction. Therefore, IGST is levied. Computer is purchased for Office Use. Therefore, Input Credit for IGST paid is available.

(x) Paid telephone bill of Rs. 5,000 plus CGST and SGST @ 6% each.

Telephone Expenses A/c	...Dr.	5,000	
Input CGST A/c	...Dr.	300	
Input SGST A/c	...Dr.	300	
To Cash/Bank A/c			5,600

(Being the telephone bill paid  
along with CGST and SGST)

(xi) Goods that were purchased paying CGST and SGST @ 6% each costing Rs. 2,000 given as sample

Business Promotion A/c	...Dr.	2,240	
To Purchases A/c			2,000
To Input CGST A/c			120
To Input SGST A/c			120

(Being the goods given as sample,  
Input CGST and Input SGST debited  
at the time of purchases reversed)

(xii) Goods that were purchased paying CGST and SGST @ 6% each costing Rs.1,000 given as donation or charity.

Donation/Charity A/c	...Dr.	1,120	
To Purchases A/c			1,000
To Input CGST A/c			60
To Input SGST A/c			60

(Being the goods given as donation,  
Input CGST and Input SGST debited  
at the time of purchases reversed)

(xiii) Goods purchased paying IGST @ 12% costing Rs.20,000 were destroyed by fire.

Loss by Fire A/c	...Dr.	22,400	
To Purchases A/c			20,000
To Input IGST A/c			2,400

(Being the goods destroyed by fire,  
Input IGST reversed)

(xiv) Goods purchased paying IGST @ 12% costing Rs.25,000 were destroyed by fire. These goods were insured and Insurance Co. admitted the claim for Rs. 18,000.

Insurance Co.	...Dr.	18,000	
Loss by Fire A/c	...Dr.	10,000	
To Purchases A/c			25,000
To Input IGST A/c			3,000

(Being the goods destroyed by fire,  
Input IGST reversed Insurance  
company admitted claim of Rs. 18,000)

(xv) An old machine was sold for Rs.5,000 against cheque and charged CGST and SGST @ 6% each.

Bank A/c	...Dr.	5,600	
To Machinery A/c			5,000
To Output CGST A/c			300
To Output SGST A/c			300

(Being an old machine sold for  
Rs. 5,000 and charged CGST  
and SGST @ 6% each)

**\*Let us study the following two illustrations to understand the passing of Journal Entries of transactions involving GST.**

**Illustration 18 (With GST).** From the following Trial Balance, prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at that date:

Debit Balances	₹	Credit Balances	₹
Salaries	10,223	Sales	66,420
Bills Receivable	6,377	Capital	50,000
Investments	40,000	Provision for Doubtful Debts	2,500
Furniture	12,000	10% Loan (1st October, 2017)	10,000
Opening Stock	4,500	Discount Received	400
Purchases	30,000	Sundry Creditors	9,300
Sundry Debtors	20,000	Bills Payable	5,000
Interest on Loan	400	Outstanding Salaries	500
Insurance Premium	900	Bad Debts Recovered	200
Wages	4,800	Interest on Investments	2,000
Rent	1,520	Commission	7,000
Bad Debts	1,200	Output CGST	10,000
Carriage Outwards	600	Output SGST	10,000
Cash at Bank	12,000	Output IGST	8,000
Depreciation on Furniture	2,500		
Accrued Commission	1,000		
Advertisement	7,500		
Input CGST	8,000		
Input SGST	8,000		
Input IGST	10,000		
	<b>1,81,320</b>		<b>1,81,320</b>

**Adjustments:**

- Closing Stock is ₹ 6,000.
- Goods costing ₹ 1,000 were distributed among staff members as free of cost while goods costing ₹ 500 were taken by the proprietor for personal use. These goods were purchased paying CGST and SGST @ 6% each.
- A credit sale of ₹ 2,000 *plus* IGST @ 12% was not recorded in the Sales Book.
- Closing Stock included goods costing ₹ 1,000 which were sold and recorded as sales but not delivered to the customer.
- Maintain Provision for Doubtful Debts @ 5%.

**Solution:****TRADING AND PROFIT AND LOSS ACCOUNT**

Dr

for the year ended 31st March, 2018

Cr

Particulars	₹	Particulars	₹
To Opening Stock	4,500	By Sales	66,420
To Purchases	30,000	Add: Credit Sales	2,000
Less: Free to Staff	1,000	By Closing Stock	6,000
	29,000	Less: Cost of Goods Sold	
Less: Drawings of Goods	500	but not delivered	1,000
To Wages	4,600		5,000
To Gross Profit c/d	35,820		
(Transferred to Profit and Loss A/c)			
	73,420		73,420
To Salaries	10,223	By Gross Profit b/d	35,820
To Interest on Loan	400	By Old Provision for Doubtful Debts	2,500
Add: Outstanding Interest on Loan	100	Less: Bad Debts	1,200
To Insurance Premium	900		1,300
To Rent	1,520	Less: New Provision	
To Carriage Outwards	600	for Doubtful Debts	1,112
To Depreciation on Furniture	2,500	By Discount Received	400
To Advertisement	7,500	By Bad Debts Recovered	200
To Staff Welfare Expenses	1,120	By Interest on Investment	2,000
To Net Profit transferred to Capital A/c	20,745	By Commission	7,000
	45,608		45,608

**BALANCE SHEET as at 31st March, 2018**

Liabilities	₹	Assets	₹
Capital	50,000	Furniture	12,000
Add: Net Profit	20,745	Bills Receivable	5,377
	70,745	Investments	40,000
Less: Drawings	500	Debtors	20,000
10% Loan	10,000	Add: Credit Sales not recorded	2,240
Outstanding Interest on Loan	100		22,240
Creditors	9,300	Less: Provision for Doubtful Debts	1,112
Bills Payable	5,000	Accrued Commission	1,000
Outstanding Salaries	500	Closing Stock	5,000
Output CGST	330	Cash at Bank	12,000
Output SGST	2,090		
	97,505		97,505

**Journal entries for Adjustment of GST:**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i) (a)	Staff Welfare Expenses A/c To Purchases A/c To Input CGST A/c To Input SGST A/c (Being the goods distributed for Staff Welfare)	Dr.	1,120	1,000 60 60
(b)	Drawings A/c To Purchases A/c To Input CGST A/c To Input SGST A/c (Being the goods taken by proprietor)	Dr.	560	500 30 30

(iv)	Sundry Debtors A/c To Sales A/c To Output IGST A/c (Being the sale now recorded)	Dr.		2,240		2,000 240
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Adjustment entries for GST set-off:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Output IGST A/c To Input IGST A/c (Being the Input IGST set off against Output IGST)	Dr.	8,240	8,240
	Output CGST A/c To Input CGST A/c (Being the Input CGST set off against Output CGST)	Dr.	2,910	2,910
	Output SGST A/c To Input SGST A/c (Being the Input SGST set off against Output SGST)	Dr.	2,910	2,910
	Output CGST A/c To Input IGST A/c (Being the Input IGST set off against Output CGST)	Dr.	1,760	1,760

#### 14. ABNORMAL OR ACCIDENTAL LOSSES

Abnormal or accidental losses occur because of fire, accidents or earthquakes, which may damage or destroy assets of the firm. In such a case, the Asset Account is credited and the Profit and Loss Account debited.

Stock of goods may also be damaged or destroyed by fire or due to other causes. It is obvious that because of this the value of the stock will be lower than otherwise. This will reduce the amount of gross profit and net profit. Also, Input GST (CGST and SGST or IGST), i.e., GST Paid on purchase of these goods is reversed because Input GST on these goods cannot be set off against Output GST. However, it is better to ascertain gross profit which would have been earned without the loss since this enables the firm to assess its trading operations properly. To nullify the effect of loss of stock, the Trading Account is credited with the cost of the goods destroyed. If goods destroyed are not insured then cost price of the goods destroyed is debited to Profit and Loss Account. If the goods are insured, then the claim admitted by the insurance company is deducted and the claim not admitted is debited to the Profit and Loss Account. The adjusting entries are as follows:

(i) Accidental Loss of Stock A/c or Loss of Stock by Fire A/c	Dr.	[Total Value of Abnormal Loss]
To Trading A/c		
To Input CGST A/c		
To Input SGST A/c		
Or		
To Input IGST A/c		
(ii) Insurance Claim or Insurance Co.	Dr.	(Amount of Insurance Claim)
Profit and Loss A/c	Dr.	(Value of Unrecovered Loss)
To Accidental Loss of Stock A/c Or Loss of Stock by Fire A/c		[Total Value of Abnormal Loss]



**Illustration 21 (With GST).** Trial Balance of Mr. Gopal Das as at 31st March, 2018 was as follows:

Heads of Accounts	Dr. (₹)	Cr. (₹)
Purchases	8,12,525	—
Sales	—	12,62,000
Provision for Doubtful Debts	—	26,000
Sundry Debtors	2,51,000	—
Sundry Creditors	—	1,52,630
Bills Payable	—	20,250
Opening Stock	1,33,625	—
Wages	1,15,685	—
Salaries	27,875	—
Furniture	30,250	—
Postage	21,130	—
Power and Fuel	6,750	—
General Expenses	29,155	—
Bad Debts	2,625	—
Loan to Ram @ 10% p. a. (1st December, 2017)	15,000	—
Cash in Hand and at Bank	50,000	—
General Expenses Outstanding	—	3,500
Drawings A/c	22,260	—
Capital A/c	—	50,000
Outstanding Wages	—	10,000
Input CGST	5,000	—
Input SGST	5,000	—
Input IGST	8,000	—
Output CGST	—	4,000
Output SGST	—	4,000
Output IGST	—	9,500
<b>Total</b>	<b>15,41,880</b>	<b>15,41,880</b>

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at that date after taking into consideration the following information:

- Stock on 31st March, 2018 was ₹ 62,750.
- Depreciation on furniture is to be charged @ 10%.
- Sundry Debtors include an item of ₹ 2,500 due from a customer who has become insolvent.
- The remaining debtors are not considered to be doubtful of recovery.
- Goods costing ₹ 7,500 *plus* IGST @ 12% were destroyed by fire and insurance company admitted a claim for ₹ 8,000.
- Received goods from Rahul & Co. of ₹ 6,000 *plus* IGST @ 12% on 27th March, 2018 but the invoice of purchase was not recorded in the Purchases Book.

**Solution:****TRADING AND PROFIT AND LOSS ACCOUNT OF GOPAL DAS**

Dr

for the year ended 31st March, 2018

Cr.

Particulars	₹	Particulars	₹
To Opening Stock	1,33,625	By Sales	12,62,000
To Purchases 6,12,525		By Loss of Stock by Fire	7,500
Add: Omitted Purchases (Note 1) 6,000	6,18,525	By Closing Stock	62,750
To Wages	1,15,685		
To Power and Fuel	6,750		
To Gross Profit c/d (Transferred to Profit and Loss A/c)	2,57,865		
	<u>13,32,250</u>		<u>13,32,250</u>
To Loss of Stock by Fire (₹ 8,400 – ₹ 8,000)	400	By Gross Profit b/d	2,57,865
To Salaries	27,875	By Provision for Doubtful Debts (Note 2):	
To Postage	21,130	Existing Provision	26,000
To Trade Expenses	28,155	Less: Bad Debts 2,625	
To Depreciation on Furniture	3,625	Further Bad Debts 2,500	5,125
To Net Profit transferred to Capital A/c	1,96,855	By Accrued Interest on Loan	500
	<u>2,79,040</u>		<u>2,79,040</u>

**BALANCE SHEET OF GOPAL DAS as at 31st March, 2018**

Liabilities	₹	Assets	₹
<b>Current Liabilities</b>		<b>Current Assets</b>	
Creditors 1,32,630		Insurance Claim	8,000
Add: Omitted Purchases 6,720	1,39,350	Cash in Hand and at Bank	50,000
Bills Payable	20,250	Closing Stock	62,750
Outstanding Wages	10,000	Debtors 2,51,000	
General Expenses Outstanding	3,500	Less: Further Bad Debts 2,500	2,48,500
<b>Capital</b>		Loan to Ram	15,000
Opening Balance 50,000		Add: Accrued Interest 500	15,500
Add: Net Profit for the Year 1,96,855	2,46,855	Input SGST	320
Less: Drawings 22,260	2,24,595	<b>Fixed Assets</b>	
	<u>4,17,895</u>	Furniture 36,250	
		Less: Depreciation 3,625	32,625
			<u>4,17,895</u>

**Notes:**

1. Following entry will be passed to record omitted purchases:

Purchases A/c	...Dr.	₹ 6,000	
Input IGST A/c	...Dr.	₹ 720	
To Supplier (Creditor)			₹ 6,720

2. Since the remaining debtors are not doubtful of recovery, balance in Provision for Doubtful Debts is written back (credited) to Profit and Loss Account.
3. Input CGST, Input SGST and Input IGST shall be first adjusted against Output CGST, Output SGST and Output IGST respectively. Thereafter, balance in Input CGST (₹ 1,000) shall be adjusted against Output IGST and balance (₹ 680) in Output IGST shall be adjusted against Input SGST leaving a balance of ₹ 320 in Input SGST Account.



## Frequently Asked Questions (FAQs) on GST

**Q1.** When was GST introduced in India?

**Ans.** On 1<sup>st</sup> July 2017

**Q 2.** What is GST? Which taxes have been merged into GST?

**Ans.** GST is a comprehensive indirect tax. After the introduction of GST, Central Excise duty, Service Tax, Additional Custom Duty, Special Additional Duty of Custom, Sales Tax, Central Sales Tax, Entertainment Tax, Octroi & Entry tax, Purchase tax and Luxury tax have been merged into GST.

**Q 3.** How many tax slabs exist in the GST?

**Ans.** There are five tax slabs used in the GST. These slabs are 0%, 5%, 12%, 18% and 28%

**Q 4.** What kinds of GST are charged under GST?

**Ans.** Under GST three types of taxes are charged i.e.

- (a) CGST – Central Goods and Service Tax
- (b) SGST – State Goods and Service Tax
- (c) IGST – Integrated Goods and Services Tax.

**Q 5.** What is Central Goods and Service Tax (CGST)?

**Ans.** CGST is levied on intra-state supply (i.e., supply within the state) of goods and/or services or both along with SGST

**Q 6.** What is State Goods and Service Tax (SGST or UTGST)?

**Ans.** SGST is also levied on intra-state supply (i.e., supply within the state) of goods and / or services or both along with CGST

**Q 7.** What is Integrated Goods and Service Tax (IGST)?

**Ans.** IGST is levied on inter-state supply (i.e., supply outside the state) of goods and / or services, import of goods and/ or services into India and export of goods and/or services from India.

**Q 8.** What are the advantages of levying GST?

**Ans.** (a) It has replaced almost all the indirect taxes into one tax i.e. GST.

(b) It is a tool which will curb the black marketing since both sales and purchases transaction detail stored in the government records

(c) The coordination between the state and centre will improve as there is no management of various taxes such as service tax, excise tax etc.

**Q 9.** What is Reverse Charge Mechanism?

**Ans.** Under Reverse Charge Mechanism, the seller of goods and/or services or both does not charge GST but instead the purchaser of goods and/or services or both deposits GST in the Government Account and claims it as Input GST.

**Q 10.** Which Goods and/or services falling under Reverse Charge Mechanism?

**Ans.** Payment of fee to Lawyers, Payment of Use of Copyright, Purchase of Goods and/or Services or both by Registered Person from Unregistered Person, Transport of Goods; Insurance Commission; and Sponsorship.

**Q11.** Explain how Input CGST can be set off?

**Ans.** Input CGST is set off against Output CGST and if balance remains it is set off against Output IGST in that order.

**Q12.** Explain how Input SGST can be set off ?

**Ans.** Input SGST is set off against Output SGST and if balance remains it is set off against Output IGST in that order.

**Q13.** Explain how Input IGST can be set off?

**Ans.** Input IGST is set off against Output IGST and if balance remains it is set off against Output CGST and balance against Output SGST in that order.

**Q14.** What is meant by Output CGST?

**Ans.** Output CGST is the CGST Collected on intra-state sale (supply) of Goods and/or Services or both.

**Q15.** What is meant by Output SGST?

**Ans.** Output SGST is the SGST Collected on intra-state sale (supply) of Goods and/or Services or both.

**Q16.** What is meant by Output IGST?

**Ans.** Output IGST is the IGST Collected on inter-state sale (supply) of Goods and/or Services or both.

**Q17.** Whether on goods purchased from Unregistered Taxpayer, GST is levied under Reverse Charge?

**Ans.** When goods are purchased from an Unregistered Taxpayer GST is levied under Reverse Charge.

**Q 18.** What is Electronic Cash Register?

**Ans.** Electronic Cash Register is a record maintained by GST Authorities for each Taxpayer separately for each kind of GST ie CGST, SGST and IGST in which GST paid by the taxpayer is credited and GST Collected is debited.

**Q 19.** Name the supplies on which GST paid is not available as Input credit.

**Ans.** Supplies exempt from levy of GST are: If the seller is Unregistered Taxpayer; Food and Beverages Expenses; Membership Fee of Health and Fitness Centre and Club; Health Insurance; Free Gifts to Staff; Goods Damaged or Destroyed; and Purchase of Vehicles by persons **not** engaged in transport business.

**Q 20.** In which transactions Input GST is reversed?

**Ans.** Goods taken as Drawings; Goods Lost or Stolen; Goods Destroyed or Damaged; Goods Written off; Goods given as Charity; and Goods given as free sample.

## DEPRECIATION, DEPLETION & AMORTIZATION

In the latest syllabus of Accountancy, Class XI, in the chapter "**Depreciation**", the terms like '**Depletion**' and '**Amortisation**' have been introduced. We have been teaching accounting for depreciation on tangible fixed assets for long, but at school level accounting of Depletion and Amortisation have been added recently. Business scenario has changed, in the last few years. We have become more aware about assets like, Coal Blocks, Mineral Reserves, Oil Reserves, and Telecom Licence etc.



Business is being done as never before. Flipkart, Amazon, Snapdeals, Paytm Mall, eBay, OLX etc. have changed the way of shopping. Without owning a single showroom or retail shop they have captured a big market share in a very short span. 'Ola' & 'Uber' are providing Pan India transport services without owning a fleet of car. Who doesn't know about 'Google'? Even children are able to recall the above names. These days assets like, Brand, Logo, Patent, Copyright, Mailing List/Customers' List etc. have become more valuable than man made tangible assets. Flipkart-Walmart deal is the example. Similarly, assets like, 3G, 4G, 5G Telecom Licence, Mining rights, Lease right etc. have become very common and these are also subject to accounting and taxation.

*So, it is imperative to teach our students about the concept as well as accounting of these assets. However, the accounting treatment for depletion and amortization are not the part of syllabus. It is given only for the purpose of extended learning.*

## Types of Fixed Assets

Man Made  
Tangible

Natural  
Wasting

Purchased  
Intangible

Study the following Table:

FIXED ASSETS		
Man Made Tangible Fixed Assets	Natural Resources	Purchased Intangible Fixed Assets
<b>Meaning-</b> Tangible Fixed Assets are physical assets that directly or indirectly facilitate production of goods or services over several accounting periods.	<b>Meaning-</b> Natural resources are stock piles or inventories to be exploited over several accounting periods. (These are also Known as Wasting Assets)	<b>Meaning-</b> Intangible Assets are assets without physical substance or these are non-physical assets which can generate earnings for several accounting periods.
<b>Examples:</b> <ul style="list-style-type: none"> <li>• Plant &amp; Machinery</li> <li>• Office Equipments</li> <li>• Motor Vehicle</li> <li>• Furniture, Fixtures &amp; Fittings</li> <li>• Buildings</li> </ul>	<b>Examples:</b> <ul style="list-style-type: none"> <li>• Mines</li> <li>• Quarries</li> <li>• Oil Wells</li> <li>• Gas Wells</li> <li>• Forests</li> <li>• (Gross Block)</li> </ul>	<b>Examples:</b> <ul style="list-style-type: none"> <li>• Goodwill</li> <li>• Copyright (Publishing rights)</li> <li>• Patents, Trademark, Brand Name</li> <li>• Software, Formula</li> <li>• Technology, Know-how</li> <li>• Franchise, License, Broadcast right</li> <li>• Customers List</li> <li>• Mastheads (Title of the Newspaper/Magazine/Editorial)</li> </ul>



### ❖ MAN MADE TANGIBLE FIXED ASSETS



### ❖ NATURAL RESOURCES - WASTING ASSETS



### ❖ PURCHASED INTANGIBLE FIXED ASSETS

#### Intangible Assets



+



### Terms used to refer decline in the value of different Fixed Assets and Allocation of Cost of Useful Life

DEPRECIATION	DEPLETION	AMORTISATION
<p>Depreciation refers to decline in the value of tangible fixed assets due to,</p> <ul style="list-style-type: none"> <li>- Normal wear &amp; tear</li> <li>- Elapse of time and</li> <li>- Expected obsolescence</li> </ul> <p>* Depreciation is the systematic allocation of the cost of a tangible fixed asset over its useful life.</p>	<p>Depletion refers to extraction of the natural resources like,</p> <ul style="list-style-type: none"> <li>- Extracting Minerals from Mines</li> <li>Granites Marble/Stone from Quarries</li> <li>- Oil and Gas from the Well/Rigs</li> <li>Wood from the forests</li> </ul> <p>It reduces the available quantity of material or assets.</p> <p>*Depletion is proportional allocation of the cost of a natural resource to the units extracted in a period.</p>	<p>Amortisation refers to writing-off the cost of intangible assets which have utility for a specified period of time. It is allocation of cost of acquisition over its useful life.</p> <ul style="list-style-type: none"> <li>* Useful life is lower of legal right or</li> <li>* According to AS 26, intangible assets, useful life of intangible asset should not exceed 10 years unless there is evidence that the life is more.</li> </ul> <p>*Amortisation is the process of writing off cost of an intangible asset over its useful/legal life.</p>

<b>Practical Examples:</b>		
<b>Depreciation</b>	<b>Depletion</b>	<b>Amortisation</b>
<p>Bharat Enterprises installed a water recycling plant on 1<sup>st</sup> April, 2017 at a cost of Rs.7,50,000 (including Rs.1,00,000 installation charges).</p> <p>The equipment is expected to provide utility for five years and to have a salvage/residual/scrap value of Rs.75,000.</p> <p>Pass journal entries to record the purchase of asset &amp; depreciation charge for the first year.</p>	<p>Rajasthan Granite Corporation purchased a granite quarry for Rs.47,00,000.</p> <ul style="list-style-type: none"> <li>- The quarry was estimated to contain 50,000 tonnes of granite.</li> <li>- It incurred Rs.8,00,000 in developing the quarry site.</li> </ul> <p>The company extracted and sold 7,000 tonnes of granite in the first year.</p> <p>Pass journal entries to record the purchase of Quarry &amp; depletion expense for the first year.</p>	<p>In 2017-18, Qjasvi Consultancy Ltd. spent Rs.5,00,000 on developing a new computer software package, 'Innovative Learning' for the use of teachers in schools. Company expects the software package to yield Rs.60,00,000 over the 5 years beginning from 2018-19.</p> <p>Pass journal entries to record the expenditure on development of computer software &amp; amortisation expense for the first year.</p>
<b>Purchase of Asset:</b>		
<p>Machinery A/c                      Dr.            To Bank A/c        (Being machinery purchased.)</p>	<p>Granite Quarrying Rights A/c Dr.            To Bank A/c        (Being rights of Quarrying purchased.)</p>	<p>Computer Software A/c Dr.            To Bank A/c        (Being Computer Software developed.)</p>
<b>Allocation of Cost of Acquisition over useful life of the Asset:</b>		
<p>Depreciation A/c                      Dr.            To Accumulated Depreciation A/c        (Being depreciation charged on machinery)</p>	<p>Depletion Charge, Quarry A/c Dr.            To Accumulated Depletion, Quarry A/c        (Depletion charge for 1,000 tonnes of Granite @ Rs.1,00,000 per tonne.)</p>	<p>Amortisation Expense, C Software A/c                      Dr.            To Computer Software A/c        (Computer Software amortised)</p>
<p><b>Annual Depreciation =</b>  <math display="block">\frac{\text{Depreciation Base}}{\text{Estimated Useful Life}}</math></p>	<p><b>Depletion Expense =</b>  <math display="block">\frac{\text{Depletion Base} \times \text{Units Produced in a Year}}{\text{Estimated Total Output}}</math></p>	<p><b>Annual Amortise Expense =</b>  <math display="block">\frac{\text{Depreciation Base}}{\text{Estimated Useful Life}}</math></p>
<p><b>Depreciation Base:</b>        Cost – Scrap Value        Where, Cost = Purchase Price + Freight + Wages for Installation etc.</p>	<p><b>Depletion Base:</b>        Cost – Scrap Value        Where, Cost = Purchase Price or Lease Rent + Development Charges + etc.</p>	<p><b>Amortisation Base:</b>        Purchase Price or Cost incurred to Develop        *Cost also includes Legal Charges and other incidental Expenses etc.</p>

## **ACCOUNTING FROM INCOMPLETE RECORDS (CONVERSION METHOD)**

Double Entry System of recording transaction is the scientific method which provides accuracy check to the books of accounts. Transactions are recorded based on dual entity concept. This is the most common method of recording the transactions. On the other hand there are small shopkeepers who do not maintain complete books of accounts. They generally keep the Real and Personal accounts. This system of recording transactions is commonly known as Single Entry System of recording transactions. These have to be converted in to Double Entry from the incomplete set of records through **Conversion Method**.

After a gap of few years, Conversion method of preparation of Financial Statements from incomplete information has been introduced again. It is a step worth praising as the single entry system is not scientific and doesn't fulfill even the legal requirement. At school level we teach this topic after students are through with the whole accounting process i.e. Journal, Ledger, Trial Balance and preparation of Financial Statements under **Double Entry System of Book Keeping**.

It offers an opportunity to the students to test their understanding of the accounting concepts & procedures. We can come across a question that the ultimate aim of accounting is to determine profit earned or loss incurred, which is being fulfilled by 'Statement of Affairs method', then what is the need of using Conversion Method?

Answer to the above question is that 'Statement of Affairs method' gives us only final profit. But if we want to know profit at different stages like Gross Profit and Net Profit then we will have to prepare Trading Account, Profit & Loss Account and a Balance Sheet. To ascertain missing information about 'Credit Purchase', 'Credit Sales', Closing balances of Debtors, Creditors, Cash & Bank etc. for the final accounts, sometimes we need to make ledger accounts like Debtors Account, Creditors Account, Bills Receivable A/c, Bills Payable Account, Cash & Bank Account, Memorandum Trading Account.

Each case of preparation of financial statements from incomplete records can be unique i.e. different from another because the information missing in different cases can be different. For example, by preparing a Debtors Account, out of the following any one could be found as a missing item

To ascertain the final amount of profit or loss, 'Statement of Affairs Method' is satisfactory but in case we want to find profit figure at two stages i.e. Gross Profit and



Net Profit, we will have to prepare Trading Account, Profit & Loss Account and Balance Sheet.

To prepare Trading Account, Profit & Loss Account and Balance Sheet, we need to convert Single Entry System into Double Entry System. For this, along with personal accounts we also need balances of real and nominal accounts.

- ❖ Following main items appear in a **TRADING ACCOUNT**:

<b>Opening Stock</b>	<b>Net Purchases</b> Cash Purchases + Credit Purchases – Purchases Returns	<b>Direct Expenses</b> e.g. Wages, Freight, Power etc.	<b>Closing Stock</b>	<b>Net Sales</b> Cash Sales + Credit Sales – Sales Returns	<b>Gross Profit/Loss</b>
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- Only one item can be found as balancing figure by preparing a Trading Account.

- ❖ Following main items appear in a **PROFIT & LOSS ACCOUNT**:

<b>Gross Profit/Loss</b>	<b>Indirect Expenses or Losses</b> e.g. Salaries, Rent Paid, Discount Allowed, Bad Debts etc.	<b>Other Incomes</b> e.g. Rent Received, Discount Received	<b>Net Profit/Loss</b>
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- One item can be found as balancing figure by preparing a Profit & Loss Account.

- ❖ Following main items appear in a **BALANCE SHEET**:

<b>Capital (Opening)</b> Less: Drawings Add: Net Profits	<b>Liabilities:</b> Creditors (Closing) Bills Payable (Closing) Outstanding Expenses Unearned Incomes	<b>Assets:</b> Closing Stock, Debtors (Closing) Bills Receivable (Closing) Cash/Bank Balance (Closing) Prepaid Expenses, Accrued Incomes
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Only one item can be found as balancing figure by preparing a Balance Sheet.

- Under Single Entry System, In a given question, some items are missing. These missing items can be ascertained as balancing figure by preparing Ledger Accounts or Statement of Affairs.
- Following table illustrate some of the items.

S. No.	Account/Statement	Some of the items ascertained as Balancing Figure (Any one in each account)
1.	Bills Receivable A/c	<ul style="list-style-type: none"> <li>- New Bills Received from Debtors</li> <li>- Closing Balance of Bills Receivable A/c</li> </ul>
2.	Debtors A/c	<ul style="list-style-type: none"> <li>- Credit Sales</li> <li>- Cash Collected from Debtors (Payment received from</li> </ul>

		Debtors)
		- Closing Balance of Debtors A/c
3.	Bills Payable A/c	- New Bills Issue to Creditors - Closing Balance of Bills Payables A/c
4.	Creditors A/c	- Credit Purchases - Cash Paid to Creditors (Payment made to Creditors) - Closing Balance of Debtors A/c
5.	Cash/Bank A/c	- Cash Purchases - Cash Sales - Closing Cash/Bank Balance
6.	Statement of Affairs in the Beginning	- Capital (in the Beginning) - Cash/Bank Balance (Opening)
7.	Memorandum Trading Account	- Opening Stock - Closing Stock

#### ASCERTAINING/FINDING TOTAL SALES

Dr.

#### Bills Receivables Account

Cr.

Particulars	Amt. (in Rs.)	Particulars	Amt. (in Rs.)
To Balance B/d		By Cash/Bank A/c (B/R Honoured)	
To Debtors (New B/R Received)(Balancing Figure)		By Debtors A/c (B/R Dishonoured)	
		By Balance C/d	

Dr.

#### Debtors Account

Cr.

Particulars	Amt. (in Rs.)	Particulars	Amt. (in Rs.)
To Balance B/d		By Cash/Bank A/c (Payment Received)	
To Bills Receivable A/c ((B/R Disonoured)		By Discounting Allowed A/c	
To Sales A/c (Credit Sales) (Balancing Figure)		By Bad Debts A/c	
		By Sales Return	
		By Bills Receivables(New B/R Received)	
		By Balance C/d	

$$\text{TOTAL SALES} = \text{CASH SALES} + \text{CREDIT SALES}$$

# ASCERTAINING/FINDING TOTAL PURCHASES

Dr.

## **Bills Payables Account**

Cr.

Particulars	Amt. (in Rs.)	Particulars	Amt. (in Rs.)
To Cash/Bank A/c (B/P Honoured)		By Balance B/d	
To Creditors (B/P Dishonoured)		By Creditors (New B/P Issued)(Balancing Figure)	
To Balance C/d			

Dr.

## **Creditors Account**

Cr.

Particulars	Amt. (in Rs.)	Particulars	Amt. (in Rs.)
To Cash/Bank A/c (Payment Made)		By Balance B/d	
To Discounting Received A/c		By Purchases A/c (Credit Purchases)	
To Purchases Return		(Balancing Figure)	
To Bills Payables(New B/P Issued)			
To Balance C/d			

**TOTAL PURCHASES = CASH PURCHASES +**

**CREDIT PURCHASES**

## Practice Questions

### Question No.1

Using following information compute the amount of 'Total Purchases' and 'Total Sales' of SRK Traders for the year ending 31<sup>st</sup> March, 2018:

Particulars	Amount (in Rs.)
Bills Receivables as at 1 <sup>st</sup> April, 2017	27,000
Debtors as at 1 <sup>st</sup> April, 2017	60,000
Bills Payables as at 1 <sup>st</sup> April, 2017	55,000
Creditors as at 1 <sup>st</sup> April, 2017	80,000
Cash Sales	15,000
Cash Purchases	12,000
Cash Received from Debtors	1,50,000
Cash Paid to Creditors	1,20,000
Discount Received	7,500
Discount Allowed	4,500
Sales Returns	6,000
Purchases Returns	5,000
Bad Debts	3,000
Bills Receivable Realised (Cash Realised against B/R)	57,000
Bills Payables met (Cash paid against B/P)	40,000
Bills Receivables as at 31 <sup>st</sup> March, 2018	30,000
Debtors as at 31 <sup>st</sup> March, 2018	1,21,500
Bills Payables as at 31 <sup>st</sup> March, 2018	85,000
Creditors as at 31 <sup>st</sup> March, 2018	57,500

### Question No.2

Ms. Ojasvi started her business on 1<sup>st</sup> July, 2017 with cash Rs.1,00,000, a Motor Cycle valued Rs.20,000 and Equipments valued Rs.30,000. During the year she further introduced Rs.30,000. Using the given information you are required to prepare final accounts for the year ended 31<sup>st</sup> March, 2018:

Particulars 467	Amount (in Rs.)
Cash Purchases during the year 2017-18	45,000
Cash collected from debtors during the year 2017-18	75,000
Cash paid to creditors during the year 2017-18	52,000
Discount allowed	5,400
Discount received	2,000
Wages paid	9,000

Salaries paid	20,000
Stationery Expenses	7,500
Freight	10,500
Bad Debts written off	2,600
Returns Inwards	18,000
Returns Outwards	15,000
Cash balance as at 31 <sup>st</sup> March, 2018	51,000
Debtors as at 31 <sup>st</sup> March, 2018	1,30,000
Creditors as at 31 <sup>st</sup> March, 2018	45,000
On 31 <sup>st</sup> March, 2018 Stock was valued at	38,000
Opened a Bank Account with SBI and deposited cash	35,000

Depreciation is to be charged @ 10%p.a. on Motor Cycle and @20%p.a. on equipments.

## MAKE IN INDIA Scheme

**'Make in India'** is an initiative launched by the Government of India on 25 September 2014, to encourage national, as well as multinational companies to manufacture their products in India. The major objectives behind the 'Make in India' initiative are job creation and skill enhancement in 25 sectors of the economy, which are as follows.

1. Automobile	2. Automobile Components	3. Aviation
4. Biotechnology	5. Chemicals	6. Construction
7. Defence	8. Electrical Machinery	9. Electronic Systems
10. Food Processing	11. Information Technology and Business Process Management	12. Leather
13. Media and Entertainment	14. Mining	15. Oil and Gas
16. Pharmaceuticals	17. Port and Shipping	18. Railways
19. Renewable Energy	20. Roads and Highways	21. Space and Astronomy
22. Textiles and Garments	23. Thermal power	24. Tourism and Hospitality
25. Wellness		



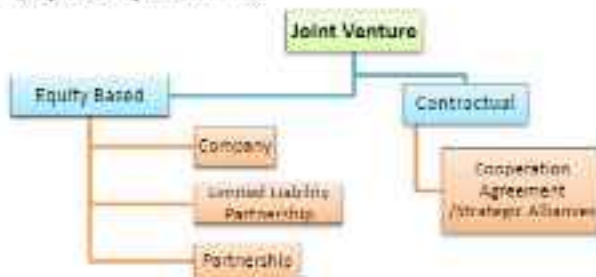


## JOINT VENTURES

**Meaning:** Business organisations as you have studied earlier can be of various types private or government owned or global enterprises. Now, any business organisation if it so desires can join hands with another business organisation for mutual benefit. These two organisations may be private, government owned or a foreign company. When two businesses agree to join together for a common purpose and mutual benefit, it gives rise to a joint venture. Businesses of any size can use joint ventures to strengthen long-term relationships or to collaborate on short term projects.

A joint venture can be flexible depending upon the party's requirements. These need to be clearly stated in a joint venture agreement to avoid conflict at a later stage. A joint venture may also be the result of an agreement between two businesses in different countries. In this case, there are certain provisions provided by the governments of the two countries, which will have to be adhered to.

Thus, we see that joint ventures may mean many things, depending upon the context we are using it in. But in a broader sense, a joint venture is the pooling of resources and expertise by two or more businesses, to achieve a particular goal. The risks and rewards of the business are also shared. The reasons behind the joint venture often include business expansion, development of new products or moving into new markets, particularly in another country. It is becoming increasingly common for companies to create joint ventures with other businesses/companies and form strategic alliances with them. The reasons for these alliances may be complementary capabilities and resources such as distribution channels, technology or finance. In this kind of a joint venture, two or more (parent) companies agree to share capital, technology, human resources, risks and rewards in the formation of a new entity, under shared control. In India, joint venture companies are the best way of doing business. There are no separate laws for these joint ventures. The companies incorporated in India are treated the same as domestic companies. Joint Ventures are of two types — Contractual joint venture Equity-based joint venture.



## Types of Joint Ventures

**(i) Contractual Joint Venture (CJV):** In a contractual joint venture, a new jointly-owned entity is not created. There is only an agreement to work together. The parties do not share ownership of the business but exercise some elements of control in the joint venture. A typical example of a contractual joint venture is a franchisee relationship. In such a relationship the key elements are:

- (a) Two or more parties have a common intention – of running a business venture;
- (b) Each party brings some inputs;
- (c) Both parties exercise some control on the business venture; and
- (d) The relationship is not a transaction-to-transaction relationship but has a character of relatively longer duration.

**(ii) Equity-based Joint Venture (EJV):** An equity joint venture agreement is one in which a separate business entity, jointly owned by two or more parties, is formed in accordance with the agreement of the parties. The key operative factor in such case is joint ownership by two or more parties. The form of business entity may vary — company, partnership firm, trusts, limited liability partnership firms, venture capital funds, etc.

- (a) There is an agreement to either create a new entity or for one of the parties to join into ownership of an existing entity;
- (b) Shared ownership by the parties involved;
- (c) Shared management of the jointly owned entity;
- (d) Shared responsibilities regarding capital investment and other financing arrangements; and
- (e) Shared profits and losses according to the agreement.

A joint venture must be based on a memorandum of understanding signed by both the parties, highlighting the basis of a joint venture agreement. The terms should be thoroughly discussed and negotiated to avoid any legal complications at a later stage.

Negotiations and terms must take into account the cultural and legal background of the parties. The joint venture agreement must also state that all necessary governmental approvals and licences will be obtained within a specified period.



दिल्ली मेट्रो रेल कॉर्पोरेशन लिमिटेड  
Delhi Metro Rail Corporation Limited



#### Examples of Joint Ventures:

1. AVI Oil India Pvt. Ltd.  
Date of establishment: 4 November, 1993  
Joint Venture Holders: Balmer Lawrie & Co. Ltd., NYCO SA, France  
Areas of operation: Mineral based lubricating oil, defence and civil aviation uses, greases.
2. Green Gas Ltd.  
Date of establishment: 7 October, 2005  
Joint Venture Holders: GAIL (India) Ltd. and IOCL  
Areas of operations: Providing safe and reliable natural gas to customers.
3. Delhi Aviation Fuel Facility Pvt. Ltd.  
Date of establishment: 28 March, 2010  
Joint Venture Holders: BPCL and DIAL  
Areas of operations: Construction, management, maintenance, developing, designing. The company is formed with a joint venture between Delhi International Airport Ltd. and Airport Authority of India with the view of maintenance, designing and modernisation.

**Benefits:** Business can achieve unexpected gains through joint ventures with a partner. Joint ventures can prove to be extremely beneficial for both parties involved. One party may have strong potential for growth and innovative ideas, but is still likely to benefit from entering into a joint venture because it enhances its capacity, resources and technical expertise. The major benefits of joint ventures are as follows:

- (i) **Increased resources and capacity:** Joining hands with another or learning up adds to existing resources and capacity enabling the joint venture company to grow and expand more quickly and efficiently. The new business pools in financial and human resources and is able to face market challenges and take advantage of new opportunities.

- (ii) **Access to new markets and distribution networks:** When a business enters into a joint venture with a partner from another country, it opens up a vast growing market. For example, when foreign companies form joint venture companies in India they gain access to the vast Indian market. Their products which have reached saturation point in their home markets can be easily sold in new markets. They can also take advantage of the established distribution channels i.e., the retail outlets in different local markets. Otherwise, establishing their own retail outlets may prove to be very expensive.
- (iii) **Access to technology:** Technology is a major factor for most businesses to enter into joint ventures. Advanced techniques of production leading to superior quality products saves a lot of time, energy and investment as they do not have to develop their own technology. Technology also adds to efficiency and effectiveness, thus leading to reduction in costs.
- (iv) **Innovation:** The markets are increasingly becoming more demanding in terms of new and innovative products. Joint ventures allow business to come up with something new and creative for the same market. Specially foreign partners can come up with innovative products because of new ideas and technology.
- (v) **Low cost of production:** When international corporations invest in India, they benefit immensely due to the lower cost of production. They are able to get quality products for their global requirements. India is becoming an important global source and extremely competitive in many products. There are many reasons for this, low cost of raw materials and labour, technically qualified workforce, management professionals, excellent manpower in different cadres, like lawyers, chartered accountants, engineers, scientists. The international partner thus, gets the products of required quality and specifications at a much lower cost than what is prevailing in the home country.
- (vi) **Established brand name:** When two businesses enter into a joint venture, one of the parties benefits from the other's goodwill which has already been established in the market. If the joint venture is in India and with an Indian company, the Indian company does not have to spend time or money in developing a brand name for the product or even a distribution system. There is a ready market waiting for the product to be launched. A lot of investment is saved in the process.



**PUBLIC PRIVATE PARTNERSHIP (PPP)** The Public Private Partnership model allocates tasks, obligations and risks among the public and private partners in an optimal manner. The public partners in PPP are Government entities, i.e., ministries, government departments, municipalities or state owned enterprises. The private partners can be local or foreign (international) and include businesses or investors with technical or financial expertise relevant to the project. PPP also includes NGOs and/or community based organisations who are the stakeholders directly affected by the project. PPP is, therefore, defined as a relationship between public and private entities in the context of infrastructure and other services. Under the PPP model, public sector plays an important role and ensures that the social obligations are fulfilled and sector reforms and public investment are successfully met. The government's contribution to PPP is in the form of capital for investment and transfer of assets that support the partnership in addition to social responsibility, environmental awareness and local knowledge. The private sector's role in the partnership is to make use of its expertise in operations, managing tasks and innovation to run the business efficiently. Sectors in which PPPs have been completed worldwide include power generation and distribution, water and sanitation, refuse disposal, pipelines, hospitals, school buildings and teaching facilities, stadiums, air traffic control, prisons, railways, roads, billing and other information technology systems, and housing.



## **PPP Model**

### **Features**

- Contract with the private party to design and build public facility.
- Facility is financed and owned by the public sector.
- Key driver is the transfer of design and construction risk.

### **Application**

- Suited to capital projects with small operating requirement.
- Suited to capital projects where the public sector wishes to retain the operating responsibility.

### **Strengths**

- Transfer of design and construction risk.
- Potential to accelerate project.

### **Weaknesses**

- Conflict between parties may arise on environmental considerations
- Does not attract private finance easily.

### **Example**

- Kundli Manesar Expressway Ltd.: In this 135 km expressway, land has been provided by the government and surface has been laid out by the company.



## DEMONETISATION

**Demonetisation:** The Government of India, made an announcement on November 8, 2016 with profound implications for the Indian economy. The two largest denomination notes, ₹500 and ₹1,000, were 'demonetised' with immediate effect, ceasing to be legal tender except for a few specified purposes such as paying utility bills. This led to eighty six per cent of the money in circulation invalid. The people of India had to deposit the invalid currency in the banks which came along with the restrictions placed on cash withdrawals. In other words, restrictions were placed on the convertibility of domestic money and bank deposits. The aim of demonetisation was to curb corruption, counterfeiting the use of high denomination notes for illegal activities, and especially the accumulation of 'black money' generated by income that has not been declared to the tax authorities.

### Features

1. Demonetisation is viewed as a tax administration measure. Cash holdings arising from declared income was readily deposited in banks and exchanged for new notes. But those with black money had to declare their unaccounted wealth and pay taxes at a penalty rate.
2. Demonetisation is also interpreted as a shift on the part of the government indicating that tax evasion will no longer be tolerated or accepted.
3. Demonetisation also led to tax administration channelizing savings into the formal financial system. Though, much of the cash that has been deposited in the banking system is bound to be withdrawn but some of the new deposits schemes offered by the banks will continue to provide a base loans, at lower interest rates.

1.	Money /Interest rates	i. Decline in cash transactions ii. Bank deposits increased iii. Increase in financial savings
2.	Private wealth	Declined since some high demonetised notes were not returned and real estate prices fell
3.	Public sector wealth	No effect
4.	Digitisation	Digital transactions amongst new users (RuPay/AEPs) increased
5.	Real estate	Prices declined
6.	Tax collection	Rise in income tax collection because of increased disclosure

*Adapted from Economic Survey, 2016-17*

- 4 Another feature of demonetisation is to create a less-cash or cash-lite economy, i.e., channeling more savings through the formal financial system and improving tax compliance. Though there are arguments against this as digital transactions require use of cell phones for customers and Point-of-Sale (PoS) machines for merchants, which will only work if there is internet connectivity. On the contrary, these disadvantages are counterbalanced by an understanding that it helps people into the formal economy, thereby increasing financial saving and reducing tax evasion.

*Digitalisation has broadly impact three sections of society: the poor, who are largely outside the digital economy; the less largely outside the digital economy; the less affluent, who are becoming part of the digital economy who have been covered under Jan Dhan Accounts and Rupay cards; and the affluent, who are fully conversant with digital transactions.*

#### **Money supply before demonetization**

On 28 October 2016 the total banknotes in circulation in India was Rs17.77 trillion (US\$260 billion). In terms of value, the annual report of Reserve Bank of India (RBI) of 31 March 2016 stated that total bank notes in circulation valued to Rs16.42 trillion (US\$240 billion) of which nearly 86% (around Rs 14.18 trillion (US\$210 billion)) were Rs 500 and Rs1,000 banknotes. In terms of volume, the report stated that 24% (around 27.03 billion) of the total 90266 million banknotes were in circulation.

#### **Cost involved in demonetization**

It involved the cost of printing of the new currency notes; disposal of old currency notes; cost of economic distress during the period of demonetization; multiplier effect of money supply in service sector by way of loss of jobs for some period.



As a result, the existing ₹500 and ₹1,000 currency notes ceased to be legal tender from that date. New currency notes of the denomination of ₹500 and ₹2,000 issued by Reserve Bank of India after the announcement. Discuss 'demonetisation' in the light of the legal and economic environment of business.

## FOREIGN TRADE POLICY (2015-20)

The Foreign Trade Policy (FTP) 2015-20 provides a stable and sustainable policy environment for foreign trade in merchandise and services, link rules and incentives for exports and imports along with other initiatives, such as 'Make in India', 'Digital India' and 'Skill India' to create 'Export Promotion Mission', promote the diversification of India's exports basket by helping various sectors of the Indian economy to gain global competitiveness, create an architecture for India's global trade as an effort to reduce trade imbalance.

FTP has introduced two major schemes:

1. Merchandise Exports from India Scheme (MEIS) covers agricultural products, like fruits, flowers, vegetables, tea, coffee, spices, handicrafts, handlooms, jute products, textile and garments, pharmaceuticals, surgical, herbal, auto components, telecom, transport, railways, leather, wood, paper, etc.
2. Services exports from India Scheme (SEIS) which covers legal, accounting, architectural, engineering, educational and hospital services at 5%, hotels and restaurants, travel agencies and tour operators and other business services at 3%.

*Source : Annual report, 2016-17, Ministry of Commerce*

## One Person Company (OPC)

### One Person Company

With the implementation of The Companies Act, 2013, a single person could constitute a company, under the One Person Company (OPC) concept. The introduction of OPC in the legal system is a move that would encourage corporatisation of micro businesses and entrepreneurship.

In India, in the year 2005, the J.J. Irani Expert Committee recommended the formation of OPC. It had suggested that such an entity may be provided with a simpler legal regime through exemptions so that the small entrepreneur is not compelled to devote considerable time, energy and resources on complex legal compliance.

One Person Company is a company with only one person as a member. That one person will be the shareholder of the company. It avails all the benefits of a private limited company such as separate legal entity, protecting personal assets from business liability and perpetual succession.

### Characteristics

- (1) Only a natural person who is an Indian citizen and resident in India-
  - (a) Shall be eligible to incorporate a One Person Company;
  - (b) Shall be a nominee for the sole member of a One Person Company.

**Explanation** – For the purposes of this rule, the term “resident in India” means a person who has stayed in India for a period of not less than one hundred and eighty two days during the immediately preceding one calendar year.

- (2) No person shall be eligible to incorporate more than a One Person Company or become nominee in more than one such company.
- (3) Where a natural person, being member in One Person Company in accordance with this rule becomes a member in another such Company by virtue of his being a nominee in that One Person Company, such person shall meet the eligibility criteria specified in sub rule (2) within a period of one hundred and eighty days.
- (4) No minor shall become member or nominee of the One Person Company or can hold share with beneficial interest.
- (5) Such Company cannot be incorporated or converted into a company for charitable activities as is provided under section 8 of the Act.
- (6) Such Company cannot carry out Non-Banking Financial Investment activities including investment in securities of any other Corporate.

- (7) No such company can convert voluntarily into any kind of company unless two years have expired from the date of incorporation of One Person Company, except threshold limit (paid up share capital) is increased beyond 50 lac rupees or its average annual turnover during the relevant period exceeds two crore rupees.

***\*See Appendix Page No. 130 for the Format of Schedule 1***

## FINANCIAL MARKETS

The financial markets enable efficient transfer and allocation of resources for productive activities in the economy. **Users of funds** include businesses, governments and households who seek funds to run their activities. Households, businesses and governments also act as **providers of surplus funds**. Intermediaries such as banks, financial institutions, mutual funds and insurance companies, among others, channelize the available surplus funds from lenders to the users.

### Classification of Financial Markets



Financial Markets are categorized in multiple ways. The most common method adopted is on the basis of maturity and trading. On these 2 criteria, markets are classified under 4 segments. But overall Markets are classified under 3 segments, which is shown in the ensuing slide.

### Structure of Financial Markets in India

1. **Banking System:** The banking system is at the core of the financial structure of an economy and supports its growth. It enables capital growth and formation through financial intermediation by accumulating savings from households, governments and businesses and making credit available for productive activities. The Indian banking has a multi-tier structure. The Reserve Bank of India is the regulator of the banking system and the monetary authority.
2. **Securities Market:** The securities market provides an institutional structure that enables a more efficient flow of capital in the system. If a household has some savings, such savings can be deployed to fund the capital requirement of a business enterprise, through the securities markets. The business issues securities, raises the money from the household through a regulated contract,



lists the securities on a stock exchange to ensure that the security is liquid (can be sold when needed) and provides information about its activities and financial performance to the household. Securities are issued by companies, financial institutions or the government. They are purchased by investors who have money to invest. The investor in the security has a claim to the rights represented by the securities. These rights may involve ownership, participation in management or claims on assets.

The primary market creates financial assets and the secondary market makes them marketable. Investors and issuers are the primary participants in the securities market. Investors are individuals or organisations with surplus funds that can be used to purchase securities.

3. **Commodities Market:** A commodity market facilitates transactions between buyers and sellers of commodities. These could be agriculture based commodities, commodities for industrial use such as metals and minerals, gas and oil for consumption or production and precious metals for investment or industrial use. Commodities can be traded in the cash market for immediate delivery and payment between the buyer and the seller.
4. **Foreign Exchange Market:** The growth of international trade made it necessary to be able to determine the relative value of currencies given the differences in their purchasing power. The need for exchanging one currency to another for settling trades in goods and services brought about the term foreign exchange. Since the foreign exchange is the value of a currency relative to other currencies, its value will differ for each combination of currency, called a currency pair. For example, USDINR is the currency pair of US dollars and Indian rupee. The currency quoted first in the currency pair is called the base currency and the currency quoted next is called the quoting currency.
5. **Insurance Market:** The Indian insurance market consists of the life insurance segment and the general insurance segment. The life insurance sector was opened to private providers in 2001. Currently, there is one public sector life insurance provider, namely the Life Insurance Company and 24 private insurers.
6. **Pension Market:** A growing elderly population and a large unorganized employment market are two primary factors that define the pension industry in India. Much of the Indian population is still outside the formal retirement benefit cover provided by the government and its associated organisations, and companies covered under the Employees Provident Fund Organisation (EPFO) rules. The government's pension plan has moved from defined benefit structure, where all retired employees of a particular rank get the same pension with no contributions by the employee, to a defined contribution structure, where the

employee and the employer contribute to the pension fund and the pension received on retirement will depend upon the fund accumulated.

### **Role of Participants in the Financial Markets**

Intermediaries in the financial markets are responsible for coordinating between investors and borrowers, and organizing the transfer of funds between them. Without the services provided by intermediaries, it would be quite difficult for investors and issuers to locate each other and carry out transactions efficiently and cost-effectively. The role and responsibilities of intermediaries are laid down in the acts and regulations governing them.

- 1. Stock Exchanges:** It provide the infrastructure for trading in securities that have been issued at prices that reflect its current value. The existence of the system allows the valuation of their investment and to realize its value when they require funds encourage investors to invest when issuers raise funds. Stock markets such as the NSE, BSE and the Metropolitan Stock Exchange of India Ltd (MSEI) are national exchanges which provide nation-wide broker networks. Trading happens on electronic trading terminals which feature anonymous order matching. Stock exchanges also appoint clearing and settlement agencies and clearing banks that manage the funds and securities settlement that arise out of these trades.
- 2. Depository participants:** They enable investors to hold and transact in securities in the dematerialized form. D-mat securities are held by depositories, where they are admitted for dematerialization after the issuer applies to the depository and pays a fee. Depository participants (DPs) open investor accounts, in which they hold the securities that they have bought in dematerialized form. Brokers and banks offer DP services to investors. DPs help investors receive and deliver securities when they trade in them. While the investor-level accounts in securities are held and maintained by the DP, the company level accounts of securities issued is held and maintained by the depository. In other words, DPs act as agents of the Depositories.
- 3. Custodians:** Custodians typically work with institutional investors, holding securities and bank accounts on their behalf. They manage the transactions pertaining to delivery of securities and money after a trade is made through the broker, and also keeps the accounts of securities and money. They may also account for expenses and value the portfolio of institutional investors. Custodians are usually large banks.
- 4. Stock brokers** are registered trading members of stock exchanges. They sell new issuance of securities to investors. They put through the buy and sell transactions of investors on stock exchanges. All secondary market transactions

on stock exchanges have to be conducted through registered brokers. **Sub-brokers** help in reaching the services of brokers to a larger number of investors. Several brokers provide research, analysis and recommendations about securities to buy and sell, to their investors.

5. **Investment Banks:** These are financial entities that provide strategic advice to companies, governments and others on their capital requirements and investment decisions and arrange raising such funds on terms that are most suitable to the company. Their activities include advisory services for business expansions, project financing, mergers and acquisition, investment valuation, among others. They charge a fee for their services. Investment banks also deal with large investors and help them manage their portfolios across asset classes, products and geographies.
6. **Commercial Banks** provide banking services of taking deposits, providing credit and enable payment services. They provide efficient cash management for businesses and meet their short-term financing needs through facilities such as over drafts and bills discounting. They also provide term financing for projects. For individuals and households, banks provide a secure infrastructure for holding their excess funds; making payments, accessing credit and financing facilities.
7. **Insurance Companies** provide service of insuring life, property and income against unexpected and large charge. Life insurance companies deal with insuring the life of individuals while general insurance covers health, motor, travel and other areas, where a sudden large expense can derail the financial situation of a household or business. Insurance companies use channels such as individual and corporate agents, brokers and banks to sell their products. Given the large resources mobilized by insurance companies by way of premiums, they are an important source of long-term funding for governments and businesses.
8. **Pension Funds** are intermediaries who are authorized to take contributions from eligible individuals and invest these funds according to the directions of the contributors to create a retirement corpus. These funds provide different options for investment of the contribution, such as debt, equity or a combination. Investors select the type of fund depending upon their ability to take risk and their requirement for returns.
9. **Asset Management Companies** and **Portfolio Managers** are investment specialists who offer their services in selecting and managing a portfolio of securities ('Portfolio' is the collective noun for securities. A portfolio holds multiple securities).
10. **Investment Advisers** and distributors work with investors to help them make a choice of securities that they can buy, based on an assessment of their needs,

time horizon return expectation and ability to bear risk. They may also be involved in creating financial plans for investors, where they define the goals for which investors need to save money and propose appropriate investment strategies to meet the defined goals.

### **Regulators of Financial Markets**

1. **Ministry of Finance:** The Ministry of Finance through its Department of Financial Services regulates and oversees the activities of the banking system, insurance and pension sectors. The Department of Economic Affairs regulates the capital markets and its participants. The ministry initiates discussions on reforms and oversees the implementation of law.
2. **Ministry of Corporate Affairs:** The Ministry of Corporate Affairs regulates the functioning of the corporate sector. The Companies Act, 2013 is the primary regulation which defines the setting up of companies, their functioning and audit and control. The issuance of securities by companies is also subject to provisions of the Companies Act.
3. **Registrar of Companies:** The Registrar of Companies (RoC) is the authority appointed under the Companies Act to register companies and to ensure that they comply with the provisions of the law.
4. **The Reserve Bank of India (RBI):** The Reserve Bank of India regulates the money market segment of securities market. As the manager of the government's borrowing program, RBI is the issue manager for the government. It controls and regulates the government securities market. RBI is also the regulator of the Indian banking system and ensures that banks follow prudential norms in their operations. RBI also conducts the monetary, forex and credit policies, and its actions in these markets influence the supply of money and credit in the system, which in turn impact the interest rates and borrowing costs of banks, government and other issuers of debt securities.
5. **Securities and Exchange Board of India (SEBI):** The Securities and Exchange Board of India (SEBI), a statutory body appointed by an Act of Parliament (SEBI Act, 1992), is the chief regulator of securities markets in India. The main objective of SEBI is to facilitate growth and development of the capital markets and to ensure that the interests of investors are protected. SEBI has codified and notified regulations that cover all activities and intermediaries in the securities markets including stock brokers and sub brokers, merchant bankers, registrars to an issue, share transfer agents, underwriters, portfolio managers, depository participants, custodians, investment advisers and others. SEBI also register and regulate the working of institutions such as depositories, credit rating agencies,

foreign institutional investors, mutual funds, venture capital funds, self-regulatory organisations and others.

## **Capital market**

### **Nature and Definition of Primary Markets**

The capital of a company is brought in by the promoters and their associates in the initial stages. As the requirement for additional funds go up, it may be necessary to source funds from a wider group of investors. The primary market refers to the market where equity or debt funds are raised by companies from 'outside' investors through an offer of securities. 'Outside' investors refer to investors who are not associated with the promoters. They may be individual investors or institutional investors. It is called the primary market because investors purchase the security directly from the issuer. It is also called the 'new issue market' since these securities are issued for the first time by the company.

### **Functions of the Primary Market**

The primary markets serve the following functions:

1. **Wider Investor Participation:** A primary market issue enables participation of a wider group of investors. Companies move away from known sources of funding that may be restrictive in terms of the amount available or the terms at which capital may be made available. They may be able to raise the funds they require at much more competitive terms. For example, when an Indian company issues a global depository receipt (GDR) in the Euro markets, it reaches out to institutional and retail investors in those markets who may find the investment in a growing Indian enterprise, attractive.
2. **Foster Competitive Processes:** Securities are issued for public subscription, at a price that is determined by the demand and supply conditions in the market and the perceived fundamental strengths of the issuer to honour their commitments. The rate of interest a debt instrument will have to offer and the price at which an equity share will be purchased are dependent on the pricing mechanisms operating in the primary market. For example, government securities, which are issued by RBI on behalf of the government, are priced through an auction process. Banks and institutional investors are the main buyers of government securities, and they bid the rates they are willing to accept and the final pricing of the instrument on offer depends on the outcome of the auction. This enables fair pricing of securities in the primary market.
3. **Diversify Ownership:** As new subscribers of equity capital come in, the stakes of existing shareholders reduces and the ownership of the business becomes more broad-based and diversified. This enables the separation of ownership and

management of an enterprise, where professional managers will be brought in to work in the broad interest of a large group of diverse shareholders. The presence of independent directors on the boards of companies, representing public shareholders, enhances the governance standards of companies.

4. **Better Disclosures:** A business that seeks to raise capital from new investors, who may not be familiar with the history and working of the enterprise, has to meet higher standards of disclosure and transparency. Regulations that govern primary markets prescribe the nature and periodicity of disclosures that have to be made. Investors will need adequate, relevant, accurate and verifiable financial and other information about the business to be able to buy the securities being offered.
5. **Evaluation by investors:** An issuer that raises money from outside investors will be open for evaluation by a large number of prospective investors, who would assess the information provided. This forms another layer of scrutiny of the operations and performance of the company, apart from its auditors and regulators. Publicly disclosed financial statements, reports, prospectus and other information also come up for scrutiny and discussion by analysts, researchers, activists, and media apart from investors.
6. **Exit for Early Investors:** Primary markets provide an exit option for promoters, private and inside investors who subscribed to the initial capital and early requirements for capital of a business. Such investors will be able to realize the value of the investment made by offering their shares, fully or partly, when the company makes an issue in the primary market. It provides them the opportunity to exit their investments at a profit. A vibrant primary market is thus an incentive for such investors who invest in early-stage business with the intent to nurture the business to a level at which public and other investors would be interested.
7. **Liquidity for Securities:** When capital is held by a few inside investors, the equity and debt securities held are not liquid, unless sold in a chunk to another set of interested investors. A primary market issue distributes the securities to a large number of investors and it is mandatory to list a public issue of securities in the stock exchange. This opens up the secondary market where the securities can be bought and sold between investors, without impacting the capital raised and used by the business.
8. **Regulatory Supervision:** Inviting outside investors to subscribe to the capital or buy securities of an issuer comes under comprehensive regulatory supervision. The issue process, intermediaries involved, the disclosure norms, and every step of the primary issue process is subject to regulatory provisions and supervision. The objective is to protect the interest of investors who contribute capital to a business, which they may not directly control or manage.



### **Modes of issue of shares in primary market**

All primary market issues need not be public issues. A primary issue of securities is made to promoters when a company is set up and equity shares are issued to them. If bonds are issued to institutions that lend to a company, that is also a primary issue, but issued privately only to a select set of investors. It is not uncommon for companies in early stages to issue equity capital to venture capitalists and private equity investors, who help the business to grow in size and scale. When an issuer does not choose any specific group of investors, but offers securities inviting anyone interested in buying the securities of the business, we have a public issue. Issuance of capital in the primary market can be classified under four broad heads:

- a. Public issue:** Securities are issued to the members of the public, and anyone eligible to invest can participate in the issue. This is primarily retail issue of securities.
- b. Private placement:** Securities are issued to a select set of investors who can bid and purchase the securities on offer. This is primarily a wholesale issue of securities to institutional investors by an unlisted company.
- c. Preferential issue:** A private placement of securities by a listed company is called a preferential issue. Securities are issued to an identified set of investors, on preferential terms, along with or independent of a public issue. This may include promoters, strategic investors, employees and such specified preferential groups.
- d. Qualified Institutional Placement (QIP):** A private placement of securities by a listed company to a set of institutional investors termed as qualified institutional buyers is a QIP. Qualified institutional buyers include institutions such as mutual funds.
- e. Rights and Bonus issues:** Securities are issued to existing investors as on a specific cut-off date, enabling them to buy more securities at a specific price (rights) or get an allotment of additional shares without any consideration (bonus).

### **Types of Investors**

Both retail and institutional investors participate in primary market issues. The following are the various categories of investors who buy securities in the primary markets:

- Resident individuals
- Hindu undivided family (HUF)
- Minors through guardians
- Registered societies and clubs
- Non-resident Indians (NRI)
- Persons of Indian Origin (PIO)

- Qualified Foreign investors (QFI)
- Banks
- Financial institutions
- Association of persons
- Companies
- Partnership firms
- Trusts
- Foreign portfolio investors (FPIs)
- Limited Liability Partnerships (LLP)

### **Types of Public Issue of Equity Shares**

Public issue of equity shares can be categorized as follows:

**a. Initial Public Offer (IPO):** The first public offer of shares made by a company is called an Initial Public Offer (IPO). When a company makes an IPO the shares of the company becomes widely held and there is a change in the shareholding pattern. The shares which were privately held by promoters are now held by retail investors, institutions, promoters etc. An IPO can either

be a fresh issue of shares by the company or it can be an offer for sale to the public by any of the existing shareholders, such as the promoters or financial institutions, or a combination of the two

**b. Fresh issue of Shares:** New shares are issued by the company to public investors. The issued share capital of the company increases. The percentage holding of existing shareholders will come down due to the issuance of new shares.

**c. Offer for Sale:** Existing shareholders such as promoters or financial institutions offer a part of their holding to the public investors. The share capital of the company does not change since the company is not making a new issue of shares. The proceeds from the IPO go to the existing shareholders who are selling the shares and not to the company. The holding of the existing shareholders in the share capital of the company will reduce.

**Example:** A company has an issued 1000 shares of a face value of Rs. 10 each. The shares are equally held by the two promoters P and Q.

- o The company decides to make a fresh issue of 500 shares.
- o The company decides to offer 250 shares of each promoter to the public.

The fresh issue of shares in the IPO (A) will result in the following post-IPO situation.

- The issued capital of the company will now be 1500 shares with a face value of Rs. 10 each
- Promoters A and B continue to hold 500 shares each. The percentage holding of each of the promoters in the share capital of the company will change from 50% (500 shares out of 1000 shares issued by the company) to 33.33% (500 shares out of 1500 shares issued by the company).

The offer for sale in the IPO (B) will result in the following post IPO situation:

- The capital of the company will remain at 1000 shares with a face value of Rs. 10 each
- The holding of the promoters will decrease to 250 shares each from 500 shares each pre issue. They now hold 25% each of the share capital; 50% is held by the public.
- The money raised in the IPO will go to the promoters who have sold the shares and not to the company.
- The disinvestment of shares by the government in PSUs is an example of an offer for sale.
- The government offers a portion of its shares to the public in an IPO. The proceeds collected go to the government which is selling the shares and not to the company. There will be no change in the share capital of the company. However, there will be a change in the list of shareholders as new investors buy the shares and a reduction in the government's holding in the company.

An IPO may also be a combination of an offer for sale and a fresh issue of shares by the issuing company.

**d. Follow-on Public Offer:** A follow-on public offer is made by an issuer that has already made an IPO in the past and now makes a further issue of securities to the public. When a company wants additional capital for growth or to redo its capital structure by retiring debt, it raises equity capital through a fresh issue of capital in a follow-on public offer. A follow-on public offer may

also be through an offer for sale. This usually happens when it is necessary to increase the public shareholding to meet the requirements laid down in the listing agreement between the company and the stock exchange. Or promoters may dilute their holdings in the company after the lock-in imposed at the time of the IPO is over.

#### **Pricing a Public Issue of Shares in primary market**

SEBI's Regulations allow an issuer to decide the price at which the shares will be allotted to investors in a public issue. This can either be fixed by the issuer in consultation with the managers of the issue or it can be determined by a process of

bidding by investors. Based on the method used to determine the price, a public issue can be categorized as:

**a. Fixed Price Issue:** In a fixed price issue of shares to the public, the company in consultation with the lead manager (who is the merchant banker in-charge of the issue) would decide on the price at which the shares will be issued. The company justifies the price based on the expected performance of the company and the price of shares of comparable companies in the market. This information is made available to the investors when the issue is announced so that investors know the price at which the shares will be allotted to them at the time of making the application.

**b. Book Built Issue:** The objective of a book building process is to identify the price that the market is willing to pay for the securities being issued by the company. The company and its issue managers will specify either a floor price or a price band within which investors can bid. When the issue opens, investors will put in bid applications specifying the price and the number of securities (or total amount) bid at that price. The price bid should be above the floor price or within the price band, as applicable. Retail investors can revise the bids in the period when the issue is open. The issuer, in consultation with the book running lead manager will decide on the cut-off price which is the price at which the issue gets subscribed. All allottees who bid at or above the cut-off price are successful bidders and are eligible for allotment in the respective categories. For example, a company wants to issue 5000 shares through a book built offer within a price band of Rs 120 to Rs 144. Bids are received as follows:

Price	No. of Shares	Total Demand
Rs 144	1000	1000
Rs 140	1500	2500
Rs 135	2500	5000
Rs 130	1000	6000
Rs 120	500	6500

The offer is filled up at the cut-off price of Rs 135. All investors who bid at this price and higher are eligible for allotment in their respective categories. The company may decide the cut-off price at a price lower than the price at which the issue is subscribed for the benefit of the investors. Book built issues may also have a clause which allows allotment to retail investors at a price that is at a discount to the cut off price which cannot however exceed 10% of the price at which shares are allotted to the other category of investors.

In a book built offer, not more than 50% shall be offered to the QIBs of which 5% shall be reserved for mutual funds, not less than 15% to non-institutional investors and not less than 35% to the retail investors. For fixed price offers, a minimum of 50% of the net

offer of securities to the public shall be initially made for allotment to retail individual investors and the balance to HNIs and other investors

### **Public Issue of Debt Securities (Bonds and Debentures)**

A company can make a public issue of debt securities, such as, debentures by making an offer through a prospectus. The issue of debt securities is regulated by the provisions of the companies Act and SEBI (Issue and Listing of Debt Securities) Regulations, 2008. The company will appoint a lead manager who will ensure compliance with all the regulatory requirements for the issue

### **Private Placements in Equity and Debt**

A private placement of securities is an offer made by a company to a select group of investors such as financial institutions, banks and mutual funds. The advantage of private placement as a way to issue securities and raise funds comes from the following:

- Investors are better informed and there are less regulatory compliances in issuances to them
- Issuing securities are less time consuming and cost-efficient since there are fewer procedures to be followed

### **Secondary Market**

#### **Functions of Secondary Markets**

**a. Liquidity:** Secondary markets provide liquidity and marketability to existing securities. If an investor wants to sell off equity shares or debentures purchased earlier, it can be done in the secondary market. Alternately, if now investors want to buy equity shares or debentures that have been previously issued, sellers can be found in the secondary market. Investors can exit or enter any listed security by transacting in the secondary markets. A liquid market enables investors to buy perpetual securities such as equity that are not redeemed by the issuer or long-term instruments maturing far into the future without the risk of the funds getting blocked. Where investors invest in risky securities whose future performance is unknown, a secondary market enables exit if the expectations are not met.

**b. Price Discovery:** Secondary markets enable price discovery of traded securities. The price at which investors undertake buy or sell transaction reflects the individual assessment of investors about the fundamental worth of the security. The collective opinions of various investors are reflected in the real time trading information provided by the exchange. The continuous flow of price data allows investors to identify the market price of equity shares. For example, consider a company with equity shares of face value of Rs 10, which are being traded for around Rs 100 in the market. If the company wants to raise additional capital by issuing fresh equity share, it could issue

them at a price close to Rs 100, which is the value determined by investors in the market.

**c. Information Signaling:** Market prices provide instant information about issuing companies to all market participants. This information-signalling function of prices works like a continuous monitor of issuing companies, and in turn forces issuers to improve profitability and performance. As new information becomes available, prices change to reflect it.

**d. Indicating Economic Activity:** Secondary market trading data is used to generate benchmark indices that are widely tracked in the country. A market index is generated from market prices of a representative basket of equity shares. Movements in the index represent the overall market direction. The S&P BSE-Sensex, MSEI-SX40 and the NSE-Nifty 50 are the most popularly watched indices in India. A stock market index is viewed as a barometer of economic performance. A sustained rise in key market indices indicate healthy revenues, profitability, capital investment and expansion in large listed companies, which in turn implies that the economy is growing strongly. A continuous decline or poor returns on indices is a signal of weakening economic activity.

**e. Market for Corporate Control:** Stock markets function as markets for efficient governance by facilitating changes in corporate control. If management is inefficient, a company could end up performing below its potential. Market forces will push down shares prices of underperforming companies, leading to their undervaluation.

### **Market Structure and Participants**

The secondary market consists of the following participants:

**a. Stock Exchange:** The core component of any secondary market is the stock exchange. The stock exchange provides a platform for investors to buy and sell securities from each other in an organized and regulated manner. Stock exchanges stipulate rules for members who are permitted to transact on the exchange, and for listing companies whose securities are permitted to be traded. The two leading stock exchanges in India are the BSE and the NSE. MSEI is the third national level stock exchange which commenced operation in 2013. The trading terminals of these exchanges are present across the country.





**b. Members:** Investors can trade in the secondary markets only through members of a stock exchange. The trading members of stock exchanges are also called 'stock brokers', and their affiliates called sub-brokers. They bring the buyers and sellers to the stock exchange platform, thus enabling trading in securities. Members will be admitted to an exchange only if they fulfill minimum requirements for capital, qualification, net worth and other criteria for admission.

**c. Investors:** If investors buy and sell shares among themselves, such trades are called "off-market" and do not enjoy the benefits of regulatory and redressal provisions of the law. In order to get a competitive price and a liquid markets in which transactions can be completed efficiently, investors come to the stock exchange through their brokers. Investors complete a KYC (know your customer) process with a registered broker-member and receive a unique client code (UCC).

**d. Issuers:** Issuers are companies and other entities that seek admission for their securities to be listed on the stock exchange. Equity shares, corporate bonds and debentures as well as securities issued by the government (G-secs and treasury bills) are admitted to trade on stock exchanges. There are specific eligibility criteria to list securities on the stock market. These can be in terms of size, extent of public shareholding, credit rating, ownership pattern, etc. Issuers have to pay a listing fee and also comply with requirement for disclosure of information that may have a bearing on the trading prices of the listed securities.

**e. Trading, Clearing and Settlement:** Secondary market transactions have three distinct phases: trading, clearing and settlement. To trade in shares is to buy and sell them through the stock exchanges. Stock exchanges in India feature an electronic order-matching system that facilitates efficient and speedy execution of trades. After the trade is executed, the buyer has a payment obligation and the seller has a delivery obligation. In order to facilitate efficient trading, the execution of trades and the settlement of obligation are separated in modern stock exchanges. All stock exchanges in India follow a common settlement system. Most trades that take place on a particular day (say, T) are settled after two business days (say, T+2).

**f. Clearing Corporations:** In the modern structure of secondary markets, clearing corporations (also known as clearing houses) are set up as independent fully-owned subsidiaries of stock exchanges. They function as counter-parties for all trades executed on the exchange they are affiliated with. So all buyers pay funds to the clearinghouse, and all sellers deliver securities to the clearinghouse. Specialised intermediaries called clearing members complete these transactions. The clearinghouse completes the other leg of the settlement by paying funds sellers and delivering securities to buyers. The National Securities Clearing Corporation Ltd (NSCCL) is the clearinghouse for trades done on the NSE; the Indian Clearing Corporation Ltd (ICCL) is the clearinghouse for BSE and Metropolitan Clearing Corporation of India Ltd. (MCCIL) is the clearing house for MSE.

**g. Depositories and Depository Participants:** In order for a security to be eligible to trade in the secondary markets, it should be held in electronic or dematerialised form. Issuers get their securities admitted to the depositories where they are held as electronic entries against investor names, without any paper certificate. National Securities Depository Ltd (NSDL) and Central Depository Services Ltd(CDSL) are the two depositories in India. Investors have to open demat accounts with depository participants (DPs), who are banks, brokers or other institutional providers of this service, to be able to trade in their securities. Demat accounts are similar to bank accounts in securities. Since the entries are electronic, transfer of securities from buyer to seller is easily completed by paper or electronic instruction to the DP. Settlement of securities transactions is done through the demat account held with the DP, who in turn notifies the depositories of the change in ownership of the securities. Payments are made and received through specifically identified clearing banks.

**h. Custodians:** Custodians are institutional intermediaries, who are authorised to hold funds and

securities on behalf of large institutional investors such as banks, insurance companies, mutual funds, and foreign institutional investors (FIIs). They settle the secondary market trades for institutional investors. Several custodians are also clearing members and clearing banks of the exchange and manage both funds and security settlements.

**I. Regulation:** Secondary markets are regulated under the provisions of the Securities Contract Regulations Act, 1956 and SCR (Rules), 1957. SEBI is authorised by law to implement the provisions of this act and its rules. It has empowered stock exchanges to administer portions of the regulation pertaining to trading, membership and listing.

### **Meaning and features of Mutual Fund**

Mutual funds are investment products available to investors through which they can invest in an asset class of their choice such as equity, debt, gold or real estate. Investors who may not want to invest directly in financial markets may instead get exposure to the same securities through a mutual fund. Similarly, investors can diversify their portfolio holdings even with small amounts, by investing in gold and real estate through mutual funds. Each product offered by a mutual fund is called a scheme or fund. A mutual fund may offer multiple schemes or funds, each catering to a different investment need of the investor.

### **Net Assets**

The assets of a mutual fund scheme are the current value of the portfolio of securities held by it. There may be some current assets such as cash and receivables. Together they form the total assets of the scheme. From this, the fees and expenses related to managing the fund such as fund manager's fees, charges paid to constituents, regulatory expenses on advertisements and such are deducted to arrive at the net assets of the scheme. This belongs to the investors in the fund who have been allotted units and no other entity has a claim to it.

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

The net asset per unit of a scheme is calculated as Net assets/Number of outstanding units of the scheme. This is the Net asset value (NAV). The NAV of the scheme will change with every change in the Net Assets of the scheme. All investor transactions are conducted at the current NAV of the scheme. For example, NUM Equity Fund collects Rs. 100000 from investors and allots 10000 units.

#### **Discuss these in the classroom:**

1. Why can the stock market do well when the economy is doing badly?  
(Discuss what caused wall street crash of 1929)
2. Impact of stock market in the economy
3. Discuss/debate reasons for stock market volatility.
4. How will a rapid rise in inflation affect the stock market?  
(Hint: A rise in inflation would probably lead to a greater chance of interest rises. This will reduce growth & profitability. Also higher inflation may encourage investors to move into more inflation proof investments like 'Gold'. )
5. Discuss the impact of meltdown/global recession witnessed at different point in time on economy and stock market (i.e. Task of 'boom' period and recession and compare its impact at different point in time.)

### Activity 1: CROSSWORD ON FINANCIAL MARKET

Financial Markets are typically defined by having transparent pricing, basic regulations on trading, costs and fees and market forces determining the price of securities that trade. Financial Markets can be found in nearly every nation in the world, though at different scales and dimensions. For a 'Commerce' Student it is very important to understand the dynamics of these Financial Markets and also the crucial factors affecting it. How Govt. policies, changing trade scenarios, economic and global fluctuations affect the trading of shares and securities, are all to be discussed, debated and shared with students by the commerce teachers. Though there is enough content coverage in the text book, the present section just gives you a 'crossword' to start with, where students participate and familiarize themselves with various terms/terminologies. You can take up one by one in the classroom explaining with examples i.e. When there is a bullish trend? What it means for the different stakeholders; how it is different, When 'Bear' play. Movements in the stock market can be quite volatile and sometimes movements in share prices can seem divorced from economic factors. However there are certain underlying factors which have a strong influence on the movement of share prices and stock market in general such as:

1. **Economic Growth** – Higher economic growth will boost company dividends & prices of shares.
2. **Interest Rates** – lower interest rates can make shares more attractive than saving money in bank or holding bonds
3. **Stability** – Political instability makes it difficult to pursue strong economic policies. Stock markets dislike the shocks that could threaten economic stability and future growth. Hence market falls on news of terrorist attacks, disturbed relations or war like situations with neighbouring countries or spikes in the price of oil etc.
4. **Confidence and Expectations** – A key factor is mood of investors. The economic news that gives optimism, investors are more likely to buy shares where as the depth of recession or bad news they start selling shares. The stock markets can move up and down, even when the economic fundamental remains poor. That is why it is unpredictable and speculative. Teachers at times find it hard to explain but collect examples of companies and show rise and fall of particular stocks to build an understanding among students.
5. **Bandwagon Effect** – Stock Market at times over react to certain events. For example in 1987 relatively little bad news caused the stock market to fall 25%. Even today it remains a mystery why the stock market fall so much when there was no economic problem. In fact the stock market soon recovered back. When prices fall, people may feel the need to get out of the market.

6. **Related Markets** – Investors have choices. Instead of buying/investing in stock, they could buy Govt. Bonds or commodities. If they feel Govt. Bonds are overpriced, people move into shares.
7. **Prices to Earning Ratios** – Great economists like Robert Shiller feels the best guide to the long term performance of shares is their price to earning ratios. But if share price rise significantly above historical averages; then it's a sign that shares are becoming overvalued and due to correction at some point in the future.

Based on this discussion, solve the given crossword puzzle. You can also develop many such activities to simplify the content for students and make it interesting and comprehensible for them.

### **Crossword**

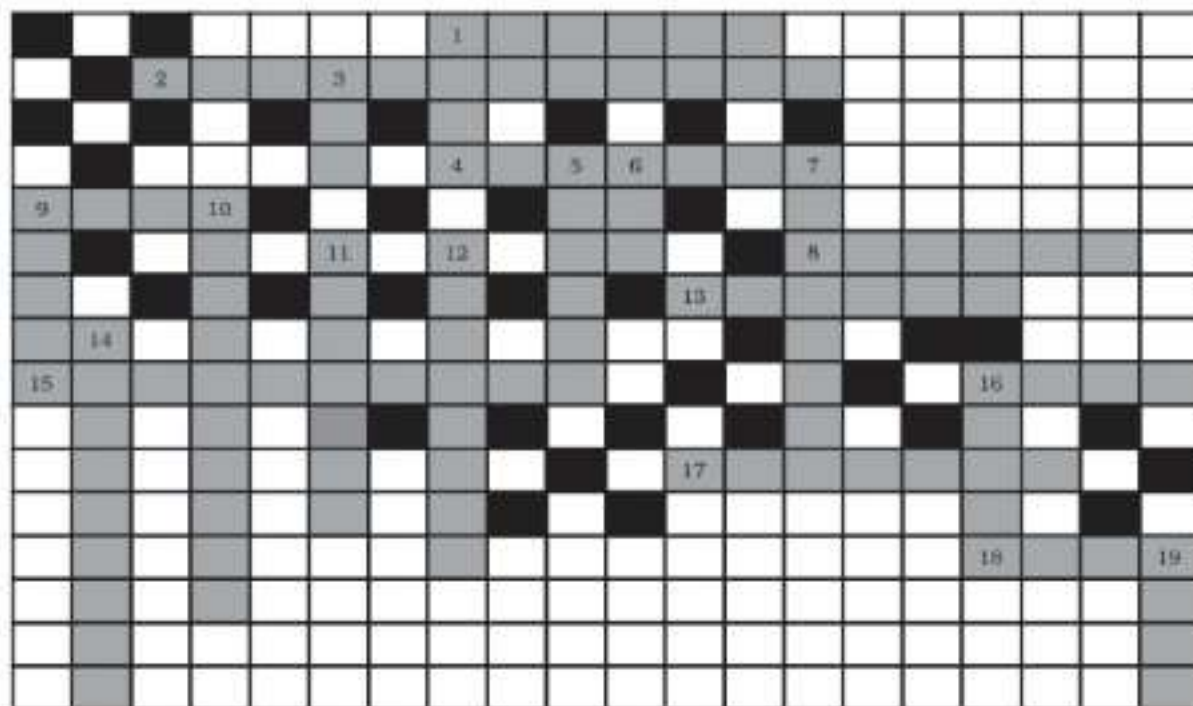
#### **Across**

1. Commission Agent who transacts in securities on behalf of non-members or members (6).
2. Changes in the price of securities in the stock market. (12)
4. Inclusion of securities in the official trade list of securities in stock market (7)
8. Place of trade in securities (6)
9. Result of selling shares at a price lower than the purchase price (4)
13. An independent dealer in securities (6)
15. Includes shares, scripts, bonds, debentures (10)
16. Speculator who expects the prices to go down (4)
17. Buying and selling of securities to manipulate the market (7)
18. Speculator who deals in new securities only (4)

#### **Down**

1. Speculator expecting a rise in the prices (4)
3. Means 'with' (3)
5. Means a part or fraction of capital (6)
6. Fraction of profit paid to government (3)
7. Illegal, game based on chance (8)
9. Official statement of securities in the stock market (5)
10. Those who buy and sell securities with objective of profit (10)

11. Money invested in business (7)  
 12. Return on shares out of profits (8)  
 14. Instrument acknowledging a debt (9)  
 16. Govt. document acknowledging a debt (5)  
 19. Profit or yield (4)



### Answers to the Crossword

- |               |               |                 |             |              |             |
|---------------|---------------|-----------------|-------------|--------------|-------------|
| <b>Across</b> | 1. Broker     | 2. Fluctuations | 4. Listing  | 8. Market    | 9. Loss     |
|               | 13. Jobber    | 15. Securities  | 16. Bear    | 17. Rigging  | 18. Stag    |
| <b>Down</b>   | 1. Bull       | 3. Cum          | 5. Stocks   | 6. Tax       | 7. Gambling |
|               | 9. Lists      | 10. Speculator  | 11. Capital | 12. Dividend |             |
|               | 14. Debenture | 16. Bonds       | 19. Gain    |              |             |



## Activity 2: Banking and Types of Accounts

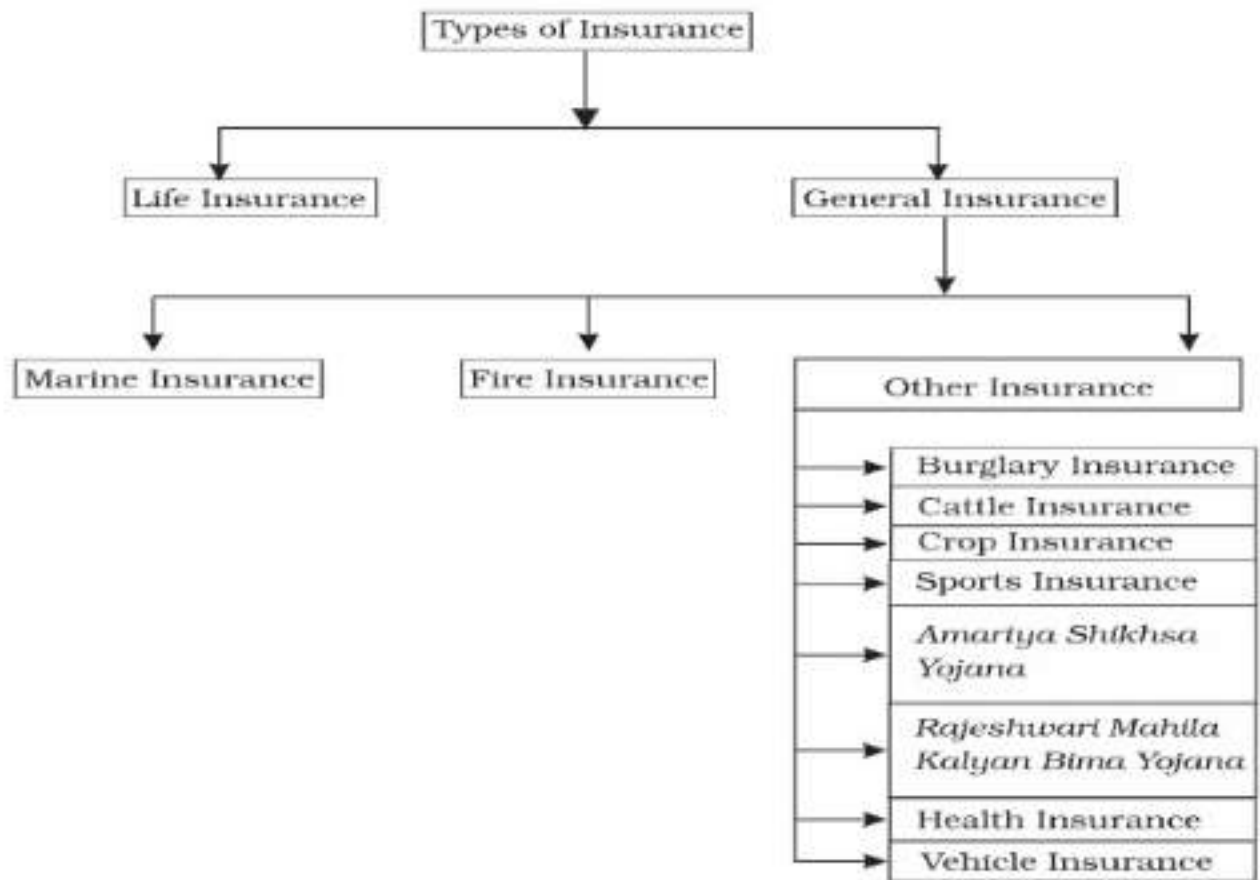
Visit the nearby bank branch in your locality and collect information about various types of accounts available for customers to open as per their requirement.

In the second part of the activity match the information given in column A with the information given in Column B.

S. No.	Column A	Column B
1.	Multiple Option Deposit	It is a temporary pass through account held by a third party during the process of a transaction between two parties unless the transaction is completed.
2.	Savings Account	A kind of deposit scheme introduced by different banks, where the excess amount in the savings bank account is transferred to fixed deposit account and the account holder earns more rate of interest. If the bank receives a cheque for this account and the balance is not sufficient, the amount will be transferred from fixed deposit account to savings bank account to clear the cheque. In short, it gives the account holder the interest of a term deposit with the flexibility of partial withdrawal, whereas, the remaining cash will get better interest.
3.	Current Account	It is also called cumulative deposit scheme. Any resident, individual, association, club, institution/agency is eligible to open this account in single/joint names. The account can be opened for any period ranging from 6 months to 120 months. In multiple of 1 month for monthly installment. The amount selected for installment at the start of the scheme is payable every month and the number of installments once fixed, cannot be changed. The rate of interest is compounded quarterly and the final amount is paid on maturity.
4.	Fixed Deposit Account	Any resident, individual, association, club, etc., is eligible for this account. It is a kind of modest credit option available to the depositor. Two free cheque books will be issued each year. Internet banking facility will be provided without any charge. Balance enquiry, NEFT, bill payment, mobile recharge, etc., are provided through mobile phones. Students can open this account with zero balance by providing the required documents.
5.	Demat Account	This account can be opened by any resident, individual, association, limited company, religious institution, educational institution, charitable institution, club, etc. Payments can be done unlimited number of times. Funds can be remitted from any part of the country to the corresponding account. Overdraft facility and Internet banking facility are available.

6.	Escrow Account	<p>It is classified as short deposit receipt and fixed deposit receipt</p> <p><i>a. Short Deposit Receipt</i></p> <ul style="list-style-type: none"> <li>(i) Banks accept deposits from customers varying from 7 days to a maximum of 10 years.</li> <li>(ii) The period for 'short deposits' can vary from 7 days to 179 days.</li> <li>(iii) The minimum amount that can be deposited under this scheme is Rs. 5 lakh for a period of 7-14 days.</li> </ul> <p><i>b. Fixed Deposit Receipt</i></p> <ul style="list-style-type: none"> <li>(i) Any resident, individual, association, minor, society, club, etc., is eligible for this account.</li> <li>(ii) The minimum FDR in metro and Urban branches is Rs. 10,000 and in rural and semi-urban and for senior citizens is Rs. 5000.</li> <li>(iii) Interest rate differs from bank to bank depending upon the tenure of the deposits and as bank changes the rate.</li> <li>(iv) Additional interest of 0.50% is offered to senior citizens on deposits placed for a year and above.</li> </ul>
7.	Recurring Deposit Account	<ul style="list-style-type: none"> <li>(i) This account offers stress-free transactions on the shares.</li> <li>(ii) An individual, Non-Resident Indian, foreign institutional investor, foreign national, corporate, trusts, clearing houses, financial institution, clearing member, mutual funds, banks and other depository account.</li> <li>(iii) For opening this account, an applicant requires to fill a form, submit his/her photo along with a photocopy of Voter ID/Passport /Aadhar Card/Driving Licence and a Demat account number will be provided to the applicant immediately after the completion of processing of the application.</li> </ul>

## TYPES OF INSURANCE



## SOCIAL SECURITY SCHEME

### Social Security Schemes

Find below the brief of government initiatives -

1. **Atal Pension Yojana** : This scheme is offered to individuals in the age group of 18 to 40 years. The individual is expected to contribute in the scheme until he/she attains the age of 60 years. The scheme acts as an investment for availing old-age pension.
2. **Pradhan Mantri Suraksha Bima Yojana** : This scheme offers accidental and disability cover of Rs. 2 lakh at a premium of Rs. 12 per year. Any individual holding a savings account can be enrolled under this scheme.
3. **Pradhan Mantri Jan Dhan Yojana** : The scheme offers savings account with no minimum balance. The Rupay ATM-cum-Debit card has in-built accident and life cover of Rs. 1,00,000 and Rs. 30,000, respectively. The scheme, suitable for economically weaker sections of society.
4. **Pradhan Mantri Jeevan Jyoti Bima Yojana** : The scheme offers a protection term insurance cover of Rs 2,00,000 to the dependents of the policy holder in the event of his/her death at a premium of Rs. 330 per year. Any individual in the age group of 18-70 years having a savings account can opt for this scheme.



## CONTENT & PEDAGOGY ON RECENT CHANGES IN BUSINESS STUDIES SYLLABUS FOR CLASSES XI & XII

*In the wake of current economic scenario, it becomes imperative for a subject, as dynamic as Business Studies, to keep pace with the latest developments. Be it in the field of economic reforms like Make in India and Start up India or in the field of Entrepreneurial Development or a major policy announcement of Demonetisation. Keeping these recent changes in view, C.B.S.E has introduced new topics in curriculum for class XI and XII so that the learners are exposed to current situations that the curriculum demands them to have knowledge about.*

*The present section deals with Demonetisation, History of Trade and Commerce, One Person Company, Entrepreneurial Development, Intellectual Property Rights and Start ups etc.*

### 1. DEMONETISATION

#### Learning Objectives

After studying this module the learner will be able to

- Understand the concept of Demonetisation
- Appreciate the reasons behind carrying out demonetisation
- Learn about the impact of Demonetisation on the economy and the society

#### Meaning of Demonetisation

When the government bans the use of currency notes of a particular denomination and that ceases to be the legal tender of the nation it is known as demonetisation.



#### Features of Demonetisation

1. **A monetary process** Demonetisation is a process of withdrawing the currency from circulation. A government implements this process through its central bank.



and it may take days to weeks depending on the size of the currency demonetised and the size of the country and population

2. **Long term effects** a country may take a long time to overcome from the shadow of the after effects of this decision. The real benefits or disadvantages of the policy can only be assessed over a longer period of time.
3. **Frequency of use** The policy of Demonetisation cannot be used very frequently. Rather it is rarely used and may affect the population, its trade and day-to-day activities.
4. **Burden on Revenue** Demonetisation adversely affects the government exchequer by increasing its expenditure in terms of destroying old currency, recruiting additional man power for implementation of the policy and printing and distribution of new currency.
5. **A bond of mutual trust** The policy causes a lot of inconvenience to the people. Therefore successful implementation of such a policy depends a lot in the mutual trust and faith that people have on the government of the country.
6. **Monetary transmission and reduction in bank rate** During demonetisation people deposited their physical currency in various banks and financial institutions. This increased the supply of more than its demand and hence lending rates declined.

## IMPACT OF DEMONETISATION ON INDIAN ECONOMY



1. **Bringing black money into the economy** The undisclosed income from the taxation authorities and it works as a parallel economy alongside organised and structured economy. Huge amounts of money were unearthed during the demonetisation drive and were deposited by people in banks and financial institutions.
2. **Strengthened tax mechanism** Demonetisation helped to add more people into the tax net. The income tax department got the information about such people when they deposited their undisclosed income into the bank accounts.
3. **Curb on parallel economy** To make demonetisation more effective, the government took other initiatives to create a compliant society. The main initiative are to curb on benami properties; banning cash transactions above 3 lakhs, Aadhaar- Pan linkage etc. These measures have reduced the circumference of parallel economy.
4. **Boost to digital payments** The government initiative created inseparable link between demonetisation and digitization. It encouraged people to embrace digital



payment methods like debit cards, credit cards, e-wallets, Aadhar linked BHIM app

5. **Low growth of GDP:** Demonetisation has mix of good and undesirable impacts in the short and long run. National income remained low in some quarters. Daily wage earners and low income generating strata were the worst hit. Post demonetisation the Indian Economic Growth slowed down from 7% (Q3, Oct16 to dec16) to 6.1% (Q4, Jan 17 to March 17)

## QUESTIONS

- Q1) Discuss the impact of Demonetisation in the light of dimensions of Business Environment
- Q2) What are the main features of Demonetisation?
- Q3) Discuss the impact of Demonetisation on Indian Economy
- Q4) What is Parallel Economy?
- Q5) How has Demonetisation impacted the social environment? Explain with few examples
- Q6) What changes have taken place in the technological environment due to demonetisation? Support your answer with relevant examples.

## CASE STUDIES

### CASE 1

In a major step to check black money, government on 8 November 2016 announced demonetisation of Rs 500 and 1000 currency notes with effect from midnight, making these notes invalid in a major assault on black money, fake currency and corruption. In his televised address to the nation, Government stated people holding notes of Rs 500 and Rs 1000 can deposit the same in their bank and post office accounts from November 10 till December 30. This big-bang announcement is likely to have the following impact

- Sectors such as real estate, where the highest component of black money exists, will be adversely impacted
- Vanity products, luxury goods, expensive goods and holidays and gold could take a severe hit.
- The hoarders of black money have lost it all in one moment.
- Reduce expenditure on high profile weddings and parties.
- Small traders, households, retailer outlets, service sector, may face disruption in money supply affecting their flow of business.
- With a lot more money pumped into the system, interest rates are likely to fall resulting in improved margins.
- More and more money will flow into productive channels of the economy and there will be a substantial rise in investible funds both in the debt and equity markets.
- The use of e-wallet, credit card and debit card will increase.

- Economy will take a hard hit in the short run with lesser money in circulation and consequently lower demand

On the basis of the above information demonetization, identify the different dimensions of business environment

## CASE 2

After the announcement of demonetisation of Rs 500 and 1000 currency notes by the Government of India, there has been a sharp increase in the number of downloads for mobile applications like Paytm, PayPal, e-wallet etc. Usage of digital currency and online payment systems driven by UPI, wallets and cards is on the rise as customers are increasingly opt for e-commerce platforms.

On the basis of the above information about demonetization, identify the dimensions of business environment highlighted in the case.

### INTRODUCTORY SESSION WITH STUDENTS OF ECONOMICS ON DEMONETISATION of 500 & 1000 Rs. NOTES

(Teaching with the help of newspaper cuttings)

#### Abstract

National Focus Group Teaching of Social Sciences emphasizes need to adopt methods that promote creativity, aesthetics and critical perspective that enable children to draw relationship between past and present to understand changes that are taking place in the society. Introducing the concept with the newspaper cutting would be an enriching source in making the process of lecturing **participative**. This section will give an illustration of interactive session on **Demonetization of Indian Currency**.

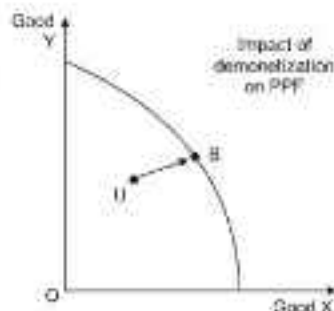
#### Instructions

1. Discuss the key features related to each article with the students before presenting the article to them.
2. Read the newspaper cuttings related to demonetisation carefully.
3. Student will discuss and answer the set of questions below each newspaper cutting.

After the announcement of Demonetization of by the Prime Minister Mr. Narendra Modi on, it is natural that the students of economics would be curious to know about it what is demonetization and why Government has taken this step.

1. Discussion may start with the impact of demonetization on Production Possibility Frontier (PPF).

This was interestingly stated by students in an economics class where some students believed that money /capital is a resource and demonetization led to decrease of resources as 500 and 1000 notes are no more legal tender and would lead to leftward shift to PPF. Here is the starting point where it has to be the repeated discussion among teacher and student that demonetization will result in movement towards PPF because it will result in better utilization of resources (Capital). This conclusion is attributed to the fact money /capital lying in lockers ,fake /hidden currency/hoarded or black money were resulting in underutilization of resource and was not in circulation which results in inflation and created artificial scarcity of money supply .



## 2. Next point of discussion in the classroom will be on Need for Demonetization

Here concept of demonetization has to be explained by giving examples of our own country and the other countries of the world that has occurred before also and even movies have been made on it .Interestingly see and discuss the contents of the newspaper cutting scanned below-

How beautifully the movie made way back in the year 1969 captures the effect of demonetization on people at large in the society. In fact the very first demonetization in India that took place in 1946 figures brilliantly in a little known film of the period. *Vijay laxmi* flopped when it was released, but ironically it is perhaps the only film of 1946 to have survived 70 turbulent years since it saw the light of the day. The film was directed by the veteran film maker, P. Pulliah, most famous for directing N.T. Rama Rao. In movie when questioned by his wife on his mournful cries, he says,

**"Losing money is akin to losing one's life "underlying his philosophy of life with the skewed equation that *Wealth equals life*.**

*Note hungry Ganpati of the kind who invites woes of demonetization. Demonetisation of 500, 1000, and 10000 notes also hit the moneybags financing the film industry as it did to the stars who received the part of money in black.*

*Here discuss with key points of the cutting can be discussed with students the black or hoarded money. Brainstorm with them the other situations – where, why and how the black money is found in the transaction.*

## Exhibit-1

Little known film from 1946 that tells a brilliant tale on demonetization

*Little-known film from 1946 brilliantly tells a tale of the first demonetisation*  
**CELLULOID DAYS**

**IN JULY 1910**  
 Woodrow Wilson's inaugural  
 parade was one of the first  
 to feature marching bands.

The character of Ganapathi Iyer, a money shark in the film 'Vilayalashram' (1963), was one of the best roles that K. B. Pantulu played.

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Kathleen

► **Director & producer (Hollywood)**  
 Vietnam) first by partnership with Fox  
 Television.

\* Links his abdominal pain with  
HCL made 11 days before the problem

• He is famous for his portrayal of a "Redneck Hunter" in *Kamashiki* film by the same name.

• Has directed several films like 'Vayapadilla Kallikannan', 'Kannathilla Theertham', 'Kannad' and 'Vedantham'.

► Introduced legislation to become  
in the Canada the Chinese  
Gongxi



<sup>10</sup> Further, Hawthorne's story includes William Clemens' and "the kitchen maid."

Produced and directed about  
20 films in all with titles  
including:

1999年12月15日

With a soundtrack like the one that follows, it's not hard to see how the film can be so successful. It's a story of a man in a woman's skin, a man in a woman's body, a man in a woman's mind. It's a story of a man in a woman's skin, a man in a woman's body, a man in a woman's mind. It's a story of a man in a woman's skin, a man in a woman's body, a man in a woman's mind.

[illegible][illegible][illegible]

where we will use a set of values of  $\alpha$  and  $\beta$  to model the character of the velocity. Using an arbitrary value:

After his religiously motivated assassination, which is shown as a shocking over-reaction, the victim's family is left with their own devotion to the memory of a wealthy and powerful but marginalised gay member of a better class, his own fiancée. He begins to alter previous stereotypes, becoming that figure who has resigned his soul, threatened by his wife, he now, Thomas, leaves behind the most famous line, "Don't let this happen," leaving a way to achieve happiness and a satisfying life, the discovery of life with the shared secret that would have a life.

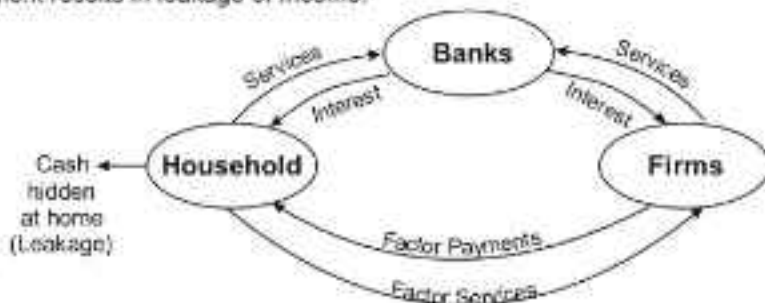
This immediately leads to repudiation and discrimination of women of colour with the complicity of other writers, as it is to be expected that patriarchal ideology with respect to the rights and feelings of women. Provided by him with, Canada's history would have been a

[illegible]

The year 1944 was also important for the film industry with American studios producing as many as three or four films monthly and the introduction of 16 mm. cameras. The Democratic Party of 1900 and 15,000 more like it support laws curtailing the authority as it did the past, was considered part of the pro-socialist back. Through the terrorism of prohibition, socialist elements of the Democratic Party as well as their business counterparts were provoked for the film industry was actually little more than a mere afterthought.



The money kept by the the housewife is saving ,but if that money is deposited in to the bank account then it gets converted in to investment. Some students may say that their mothers hide cash at home for emergency situations like health prblms .They need to be explained and educate their families that times have changed and there is no need to hide cash at home or in lockers.for emergency. There are facilities of ATM /Debit Cards/Pay TM/Netbanking/e-wallets/Mobile Banking etc.to deal with unforeseen incidents .The money that is not deposited with the bank/hidden at home moves out of the circular flow of income. It results in leakage of Income.



**Figure-2**  
**Circular Flow of Income**  
**Three Sector Model**

And the discussion may move on to bigger examples of hoarding of money in illicit trading/property dealing etc and one can immediately relate to the impact of current demonetisation of 500 and 1000 notes where crores of fake currency are caught or burnt and even the hoarding of money in higher denominations ,the whole money which was supposed to be legal tender remains hidden and hence out of circulation. Explain to students how demonetisation is only corrective measure to curb the illegal currency and hoarded legal tender from circulation.

Now move to the discussion-

Whether country like India where the literacy rate is only 74.04 (2001 ,Census) ,and about 50% of India's population is debit/credit- card holders can be turned in to a cashless edconomy.

Now students can be shown the following newspaper cutting-



## Exhibit-3

### Cashless Gujrat village to go unaffected by cash crunch



An illustration of Gujarat Village that was unaffected by demonetisation as it had already turned itself in to a digital village.

Now you can relate how economics is everywhere and now the content of textbooks have to be related to the real life economics. Encourage and motivate students to read the newspaper daily and if possible make a scrap book containing useful and relevant informations. Keep aside one period a week for such discussions based on any content area from the text. It will break the monotony, increase analytical ability and make them comprehend the real economics.

*\*Here are some more exepplar newspaper clipping for your reading, refecting, discussing and debating in the classroom highlighting many intresting and unexplored aspects of demonetisation.*

## Glossary

- **Production Possibility Frontier** – The PPF is a curve depicting all maximum output possibilities for two goods, given a set of inputs and technology.

- **Demonetisation** – It is the act of stripping a currency unit of its status as legal tender.
- **Legal tender** – It is a medium of payment recognized by a legal system to be valid for meeting of financial obligation.
- **Black Money** – Income illegally obtained or not declared for tax purpose.
- **Cashless Economy** – It is a situation in which the flow of cash within an economy is non-existent and all transactions have to be through electronic channels such as debit, credit cards and electronic clearing.
- **Savings** – It is the part of income that is not consuming ( $S = Y - C$ )
- **Investment** – Addition to capital stock.
- **Circular flow of Income** – It is a neoclassical economic model depicting how money flows through the economy

**GEOFFREY DENNIS**, head of strategy, emerging markets, UBS Investment Bank

## Demonetisation to be positive for India

Nashikhat Kulkar

— [nashikhat.kulkar@ubsglobal.com](mailto:nashikhat.kulkar@ubsglobal.com)

**MUMBAI:** India's equity markets have seen a sharp correction (Sensex down by over 1,300 points in the past three sessions) amid concerns about the ban on ₹500, ₹1,000 currency notes.

Foreign institutional investors have pulled out nearly ₹9,000 crore from India's equity markets in the last four trading sessions, NSDL data shows. Geoffrey Dennis, head of global emerging markets strategy at UBS Investment Bank, believes the sell-off was extreme and markets will begin to settle down.

He still remains positive on India and feels the demonetisation will have long-term positive impact on the economy. Excerpts:

How does India look now in the emerging market basket, particularly after the US elections and the currency demonetisation in country?



India has had a credible whammy. We are overweight on India. The reason for that is, notwithstanding the risk to growth from the withdrawal of bank notes, it is still the best growth story in the emerging markets.

The demonetisation is expected to hit some sectors, like consumption. Could that have a wider impact on the economy in the short term?

The impact has perhaps been more disruptive than the government had anticipated. If the disruption lasts for several more weeks, you could clearly see some downside risks to economic growth numbers through weaker consumer spending.

# Don't treat unclaimed notes as profit: Subbarao

mint

Joji Thomas Philip

a.kittan@indianexpress.com

Singapore: Any move by the Indian government to treat currency that is not surrendered during the ongoing demonetization process as a profit will be "ill-advised," former Reserve Bank of India (RBI) governor D. Subbarao has warned.

Speaking at MintAsia's global banking conclave in Singapore, Subbarao cited speculation that the Indian government could use the currency that is not returned to solve its fiscal problems or to recapitalize banks, but pointed out that such a step would send out the wrong message.

"Then demonetization will be viewed as being done with other motives, rather than fighting black money," Subbarao said.

"For argument's sake, let us assume that a quarter of the ₹500 and ₹1,000 currency notes in circulation does not come back—this is equivalent to about ₹3.5 trillion, and can be considered as a windfall profit for the RBI. By



• D Subbarao, ex-RBI gov. MINT

law, the central bank has to transfer all its profit to the government.

If RBI treats this as a profit, and the Centre demands that this be transferred to it, and they use this to play Robin Hood or to recapitalize the banks, or for whatever other purposes, this will send out the wrong message. I don't believe that this is the intention of the current government, but if they were to do such a thing, it will be highly ill-advised," he said.

Subbarao also said that he was unsure about the legal position on whether the RBI could claim unreturned currency as profit.

According to him, all currency notes carry a legal obligation, as the "RBI has guaranteed that it

will pay the bearer the sum or the value of the denomination that is printed on that note."

"The government has not used the word demonetization. All that the government has said is that it is withdrawing these notes as being legal tender. But it still leaves us with the question: does the RBI have the obligation to pay the bearer, or is that obligation over, after the government announcement," he added.

At the same time, the former central bank governor said the positives of the current demonetization drive outweighed the negatives.

"If you ride out the short-term pain, the positives will be substantial, be in terms of attracting investments, and also getting people to move from physical cash to electronic transactions," he said, adding that the benefits would only be realized in full if the government followed this drive to its logical conclusion.

He said that the money being deposited in the banks, as against having it "in the pocket, or under the pillow", was good for the economy.

## **2. History of Trade and Commerce**

The economic and commercial evolution of any land depends upon its physical environment. This stands true for Indian sub-continent as a whole which has Himalayas in the North and Indian Ocean, Arabian Sea and Bay of Bengal on its sides. The commercial roads, popularly known as silk route helped in establishing commercial and political contacts with adjoining foreign kingdoms and empires of Asia in particular and the world in general. The maritime routes linked the east and the west by sea and were used for the trade of spices and known as spice route. Due to the routes, the chief kingdoms, important trade centers and the industrial belt flourished which in turn further facilitated the progress of domestic and international trade in ancient India.

Trade and commerce has played a vital role in making the Indian sub-continent a great exporting centre of the economic world in ancient times. The archaeological evidences have shown that trade and commerce with inland and foreign and overland and maritime was the mainstay of the economy of ancient India. Commercial cities like Harappa and Mohenjo-Daro were founded in the third millennium B.C. The civilization had established commercial connections with Mesopotamia and traded in gold, silver, copper, coloured gem stones, beads, pearls, sea shells, terracotta pots etc. The period was marked by substantial commercial activities and urban development. Trade centers also came up in western India in the fourth and third millennium B.C., resulting in Indian society dominated by merchants and trading communities. Political economy and military security during ancient times united most of the Indian sub-continent and trade regulations were carefully planned. This led to a common economic system and brought uniformity in measurements and usage of coins as currency which enhanced trading activities and expanded markets.

### **1.1 Indigenous Banking System**

As economic life progressed, metals began to supplement other commodities as money because of its durability and divisibility. As money served as medium of exchange and the method of measurement, the introduction of metallic money and its use accelerated economic activities.

Documents such as *Hundi* and *Chit* were in use for carrying out transactions in which money passed from hand to hand. *Hundi* as an instrument of exchange, prominent in Indian sub-continent was vernacular and contemplated by a contract which (i) warrant the payment of money, the promise or order which is unconditional (ii) capable of change through transfer by valid negotiation.



#### Hundies as practiced by Indian Merchant Communities

Name of Hundi	Broader Classification	Function of Hundi
Dhani-Jog	Darshani	Payable to any person- no liability over who received payment
Sah-jog	Darshani	Payable to a specific person, someone 'respectable' liability over who received payment.
Firman-Jog	Darshani	Hundi made payable to order.
Dekhan-hat	Darshani	Payable to the presenter or bearer
Dhani-Jog	Muddati	Payable to any person -no liability over who received payment, but payment over a fixed term.
Firman-Jog	Muddati	Hundi made payable to order following a fixed term.
Jokhmi	Muddati	Drawn against dispatched goods. If goods lost in transit, the drawer or holder bears the costs, and the Drawee carries no liability

Indigenous banking system played a prominent role in lending money and financing domestic and foreign trade with currency and letter of credit. With the development of banking, people began to deposit precious metals with lending individuals functioning as bankers or Seths, and money became an instrument for supplying the manufacturers with a means of producing more goods.

Agriculture and the domestication of animals were important components of the economic life of ancient people. Due to the favourable climatic conditions they were able to raise two or sometimes three crops in a year. In addition to this, weaving cotton, dyeing, producing clay pots, utensils, objects of art, handicrafts, sculpting, cottage industries, masonry, manufacturing transports (i.e., carts, boats and ships) etc., they were able to generate surpluses and savings for further investment.

Workshops (*Karkhane*) were prominent where skilled artisans worked and converted raw materials into finished goods which were high in demand. Family based apprenticeship system was in practice and duly followed in acquiring trade specific skills. The artisans, crafts persons and skilled labour of different kinds of trades learnt and developed skills and knowledge which were passed on from one generation to the next generation. This gave rise to Commercial and Industrial banks to finance trade and

commerce and Agricultural banks to provide both short and long term loans to finance agriculturists.

### 1.2.1 *Rise in Intermediaries*

Intermediaries played a prominent role in the promotion of trade. They provided considerable financial security to the manufacturers by assuming responsibility for the risks involved, especially in foreign trade. It comprised commission agents, brokers and distributors both for wholesale and retail goods. An expanding trade brought in huge amounts of silver bullion into Asia and a large share of that bullion gravitated towards India.

The institution of *Jagat Seths* also developed and exercised great influence during Mughal times and the days of East India Company. Bankers began to act as trustees and executors of endowments. Foreign trade was financed by loans. However, the rate of interest for longer voyages was kept high in view of the huge risk involved.

The emergence of credit transactions and availability of loans and advances enhanced commercial operations. Indian Sub-continent enjoyed the fruits of favourable balance of trade where exports exceeded imports with large margins and the indigenous banking system benefitted the manufacturers, traders and merchants with additional capital funds for expansion and development.

## 1.3 Transport

Transport by land and by water was popular in the ancient times. Trade was maintained by both land and sea. Roads as a means of communication had assumed key importance in the entire process of growth particularly of the inland trade and for trade over land. The northern roadway route is believed to have stretched originally from Assam to Taxila. There were also trade routes in the south spreading east and west. Trade routes were structurally wide and suitable for speed and safety.

Maritime trade was another important branch of global trade network. Malabar Coast, on which Calicut is situated, has a long history of international maritime trade going back to the era of Roman Empire. Pepper was particularly valued in the Roman Empire and was known as Black Gold. For centuries it remained the reason for rivalry and conflict between various empires and trade powers to dominate the route for this trade. It was in the search for an alternate route to India for spices that led to the discovery of America by Columbus in the closing years of 15<sup>th</sup> century and also brought Vasco da Gama to the shores of Malabar in 1498.

Calicut was such a bustling emporium that it was even visited by Chinese ships to acquire items like frankincense (essential oil) and myrrh (fragrant resin used in



perfumes, medicines) from the Middle East as well as pepper, diamonds, pearls and cotton from India. On the Southern or coromandel coast, Pulicat was the major port in the 15<sup>th</sup> and early 16<sup>th</sup> centuries. Textiles were the principal export from Pulicat port to Southeast Asia.

#### **1.4 Trading Communities Strengthened**

In different parts of the country, different communities dominated trade. Punjabi and Multani merchants handled business in the northern region while the Bhatas managed the trade in the states of Gujarat and Rajasthan. In western India these groups were called Mahajans. In urban centres such as Ahmedabad the Mahajans were collectively represented by the chief of the merchant community called *nagarseth*. Other urban groups included professional classes such as *hakim* and *vaid* (physician), *wakil* (Lawyer), *pundit* or *mulla* (teachers), painters, musicians, calligraphers etc.

##### **1.4.1 Merchant Corporations**

Merchant community also derived power and prestige from Guilds which were autonomous corporations formed to protect their interests. These corporations, organized on formal basis framed their own rules of membership and professional code of conduct which even Kings were supposed to accept and respect. Trade and industry taxes were also a major source of revenue. Traders had to pay octroi duties that were levied on most of the imported articles at varying rates. They were paid either in cash or in kind.

Customs duties varied according to the commodities. Tariffs varied from province to province. The ferry tax was another source of income generation. It had to be paid for passengers, goods, cattle and carts. The right to receive the labour tax was usually transferred to the local bodies.

The guild chief dealt directly with the king or tax collectors and settled the market tolls on behalf of its fellow merchants at a fixed sum of money. The guild merchants also acted as custodians of religious interests. They undertook the task of building temples and made donations by levying a corporate tax on their members. The commercial activity thus enabled big merchants to gain power in the society.

##### **1.4.2 Major Trade Centers**

There were all kinds of towns-port towns, manufacturing towns, trading town, the sacred cantons, and pilgrimage towns. Their existence is an index of prosperity of merchant communities and professional classes.

The following were the leading trade centers in ancient India:

1. **Pataliputra**: Known as Patna today. It was not only a commercial town, but also a centre for export, especially of stones.
2. **Peshawar**: It was an important exporting centre for wool and for the import of horses. It had huge share in the commercial transactions between India, China and Rome in the First century A.D.
3. **Taxila**: It served as a major centre on the important land route between India and Central Asia. It was also a city of financial commercial banks. The city occupied a very important place as a centre of learning in Buddhist times. The famous Taxila University flourished here; it drew scholars from China, South-East Asia, and Central Asia.
4. **Indraprastha**: It was the commercial junction on the royal road where most routes leading to the East, West, South and North converged.
5. **Mathura**: It was an emporium of trade and people here subsisted on commerce. Many routes from South India touched Mathura and Broach.
6. **Varanasi**: It was well placed as it lay both on the Gangetic route and on the highway that linked North with the East. It grew up into a great centre of textile industry and became famous for beautiful gold silk cloth and sandalwood workmanship. It had links with Taxila, Broach and Kanjeevaram.
7. **Mithila**: The traders of Mithila crossed the seas by boats, through the Bay of Bengal to the South China sea, and traded with ports on the islands of Java, Sumatra and Borneo. Mithila established trading colonies in South China, especially in Yunnan, in the early years of the Christian era.
8. **Ujjain**: Agate, camelian, muslin and mallow cloth were exported from Ujjain to different centres. It also had trade relations with the West through the land route with Taxila and Peshawar.
9. **Surat**: It was the emporium of western trade during Mughal period. Textiles of Surat were famous for their gold borders (zari). It is noteworthy that Surat hundis were honoured in the far off markets of Egypt, Iran and Belgium.
10. **Kanchi**: Today known as Kanjeevaram, it was here that the Chinese used to come in foreign ships to purchase pearls, glass and rare stones and in return they sold gold and silk.
11. **Madura**: It controlled the pearl fisheries of the Gulf of Mannar and was a leading exporting centre for pearls, jewels and fancy cloth. It attracted foreign merchants, particularly the Romans, for carrying on overseas trade.
12. **Broach**: It was the greatest seat of commerce in Western India. It was situated on the river Narmada and was linked with all important marts by roadways.
13. **Kaveripattinam**: Also known as Nagapatnam, it was quite scientific in its construction as a city and it used to provide loading, unloading and strong facilities of merchandise. Foreign traders had their headquarters in this city. It was a convenient place for trade with Malaysia, Indonesia, China and the Far East. It was the centre of trade for perfumes, cosmetics, powders, scents, silk, wool, cotton, corals, pearls, gold and precious stones; and also for ship building.
14. **Tamirapattinam**: It was one of the greatest seaports connected both by sea and land routes with the West and the Far East. It was linked by road to Benares and and Taxila and was connected with distant foreign countries through Susa upto the Black Sea.

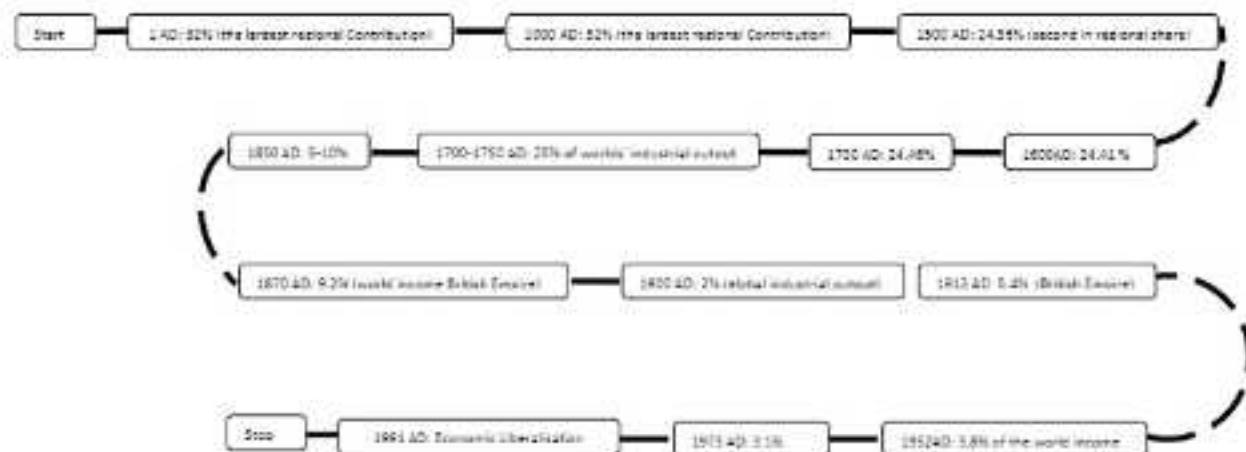
### 1.4.3 Major Exports and Imports

Exports consisted of spices, wheat, sugar, indigo, opium, sesame oil, cotton, silks, parrot, live animals and animal products-hides, skin, furs, horns, tortoise shells; pearls, sapphires, quartz, crystal, lapis, lazuli, granites, turquoise and copper etc.

Imports included horses, animal products, Chinese silk, flax and linen, wine, gold, silver, tin, copper, lead, rubies, topaz, coral, glass and amber etc.

### 1.5 Position of Indian Subcontinent in World Economy ( 1 AD up to 1991)

Between 1<sup>st</sup> and 17<sup>th</sup> centuries AD, India is estimated to have the largest economy of the ancient and medieval world controlling about one third and one fourth of the world's wealth (timeline). The country was often referred to as '*swarnBhumi*' and '*Swaran Dweep*' in the writings of many travellers such as Megasthenes, Faxian (Fa Hien), Xuanzang (Huen Tsang), Al Birauni (11<sup>th</sup> century), Ibn Batuta (11<sup>th</sup> century), Frenchman Francois (17<sup>th</sup> century) and others who visited at different intervals of time, talked about the socio-cultural- geo-economic-commerce and political structures and prosperity of the country.



**Source:**

Angus Maddison (2001 and 2003), The world Economy: A Millennial Perspective, OECD, Paris.  
Angus Maddison, The World Economy, Historical Statistics

The pre-colonial economy is regarded as the golden age of prosperity and this led the Europeans on a great voyage of discovery. Initially, they came to plunder but soon realized the rewards of trade in exchange of gold and silver. Despite the growing commercial sector, it is evident that 18<sup>th</sup> century India was far behind Western Europe in technology, innovation and ideas. With the increasing control of East India Company causing lack of freedom and no occurrence of agricultural and scientific revolution, limited reach of education to the masses, population growth and preference to machines over manual skills made India a country which was prosperous but the people were poor.

The British imperial empire began to grow in India in the middle of 16<sup>th</sup> century. The East India Company used revenues generated by the provinces under its rule for purchasing Indian raw material, spices and goods. Hence, the continuous inflow of bullion that used to come on account of foreign trade stopped. This changed the condition of Indian economy from being an exporter of processed goods to the exporter of raw materials and buyer of manufactured goods.

### 1.5.1 India begins to reindustrialize

After independence, the process of rebuilding the economy started and India went for centralized planning. The first five year plan came into implementation in 1952. Due importance was given to the establishment of modern industries, modern technological and scientific institutes, space and nuclear programmes. Despite these efforts the Indian economy could not develop at a rapid pace. Lack of capital formation, rise in population, huge expenditure on defence, and inadequate infrastructure were the major reasons. As a result, India relied heavily on borrowings from foreign sources and finally agreed to economic liberalization in 1991.

Indian entrepreneurs began to set up their own modern textile mills after 1850 and gradually began to recapture the domestic market. In 1896 Indian mills supplied 8% of the total cloth consumed in India, 20% in 1913, 52% in 1936 and 75% in 1945. Thus, between 1913-1936 India's manufacturing output grew 5.6 percent per year which was above the world average of 3.3 percent. The British Government finally provided tariff protection from 1920s which helped industrialists to expand and diversify.

By the time of independence in 1947, Indian entrepreneurs were strong enough and in a position to buy the businesses of departing British. Industry's share in India's GDP had doubled from 3.8 percent in 1913 to 7.8 percent in 1947 and the share of manufacturers in exports rose from 22.4 percent to 30 percent for the years 1913 and 1947 respectively.

Source: B.R. Tomlinson, *The Economy of Modern India 1870-1970*, The New Cambridge History of India, Volume 3.3 Cambridge University Press, 1966.

Indian economy is one of the fastest growing economies in the world today and a preferred FDI destination. Rising incomes, savings, investment opportunities, increased domestic consumption and younger population ensures growth for decades to come. The high growth sectors have been identified which are likely to grow at a rapid pace world over and the recent initiatives of the Government of India such as 'Make in India', 'Skill India', 'Digital India' and roll out of the Foreign Trade Policy (FTP 2015-20) is expected to help Indian economy in terms of exports and imports and the trade balance.

### **Questions**

1. List any five major commercial cities of ancient India?
2. What is Hundi?
3. List the major exports and imports in ancient India.
4. What were the different types of Hundi in use by Traders in ancient times?
5. What do you understand by maritime trade?
6. State the different types of economic activities.
7. Discuss the development of indigenous banking system in Indian sub continent

## **3. ONE PERSON COMPANY**

### **LEARNING OBJECTIVES**

**After learning this concept the learners will be able to:**

- Understand the meaning of a one person company
- Have a comparative understanding of sole proprietary business vs one person company
- Appreciate the benefits of forming a one person company
- Understand the role that a one person company concept will play in supporting entrepreneurs

### **CONCEPT OF ONE PERSON COMPANY**

One person company is a registered company which has only one shareholder. It is a private company.

#### **Provisions of OPC under the erstwhile Companies Act 1956**

There was no separate provision(s) for one-man /one person companies in the Companies Act, 1956. Earlier under the provisions of the Companies Act, 1956, it requires a Public Company to have atleast 7 members (shareholders) and a Private Company to have atleast 2 members (shareholders) and a Producer Company to have atleast 5 members (shareholders). And therefore a company having a single member was not allowed to have the existence of a registered company.

#### **Provisions under the Companies Act 2013**

##### **Definition**

Section 2(62) of the Act, defines a "One Person Company" as a company which has only one person as a member.

## **2. OPC is a Private Company**

A One Person Company is treated as a Private Company { Sec 3 (1)(c) }

### **FEATURES OF ONE PERSON COMPANY (OPC)**

Following are the important features of the One Person Company (OPC)

1. An O.P.C is categorised on the basis of number of members.
2. An O.P.C has only one person as a member/shareholder.
3. Only a natural person who is an Indian citizen and a resident of India can form an O.P.C.
4. No person shall be eligible to form more than one O.P.C or be a nominee in more than one such company.
5. An O.P.C. is a Private Company.
6. Minimum paid up share capital of one lakh rupees (Rs. 1,00,000)
7. An O.P.C may be either a Company limited by share / a Company limited by guarantee / an unlimited Company.
8. The words "One Person Company" should be mentioned in brackets below the name of the One Person Company.
9. The O.P.C must indicate the name of the nominee/other person in the memorandum after taking his prior written consent.
10. The written consent, should be filed with the Registrar at the time of incorporation of the O.P.C. along with its MOA and AOA (Memorandum and Articles).
11. However the nominee/ other person can withdraw his consent at any time.
12. The member/Shareholder of O.P.C. may change the nominee/other person at any time, after giving notice to the other person. Registrar also has to be intimated about this change.

### **First OPC OF INDIA**

The first One Person Company in India was incorporated on 28th April 2014 at Delhi under RoC-Delhi jurisdiction. The name of the company is "VIJAY CORPORATE SOLUTIONS OPC PRIVATE LIMITED" having CIN: U93000DL2014OPC267546. Mr. VIJAY KUMAR SHARMA is the only Director and Shareholder of the Company.

### **QUESTIONS**

- Q1) Define O.P.C.
- Q2) What is the most important benefit of forming an O.P.C. as compared to a sole proprietary business?
- Q3) What are the conditions that should be met to form and continue an O.P.C.?
- Q4) How many one person companies can an individual form?
- Q5) When is it mandatory for a one person company to convert into a private Ltd company?
- Q6) What is the minimum paid capital of a one person company?



## CASE STUDIES

### CASE 1

Samarth Malhotra was born in Delhi and is a fashion designer. He runs his hi-fashion garments business from the posh C. K. Market of Delhi. After running the business for 5 years Samarth feels that he should get his business registered in a way that he can save himself from the threat of unlimited liability. But at the same time, he doesn't want anyone else to be a part of decision making or to interfere in his business.

- Which form of business would you suggest to Samarth?
- Justify your answer with supporting features and merits of the form suggested in (a) above

### CASE 2

Aarti was born and brought up in Mumbai. She did her graduation and became an Architect. She worked as an assistant architect in a leading company. After a few years of that now she wants to set up her own consultancy and undertake independent projects. She discusses her plans with her father.

Her father suggests that she should carry on with the job because starting independently will mean becoming a sole proprietor and that would bring along problems of unlimited liability. But Aarti was not convinced to stay in the job.

Then he suggested that the second option for her could be to form a partnership or a pvt. ltd company, with a friend. But Aarti did not like this idea either, as she did not want any form of interference from anyone. Aarti approached a consultant and discussed her concerns with him.

The consultant offered her a solution and Aarti was happy with that idea.

- Which form of business organization would have been suggested by the consultant?
- Explain the benefits of this form over sole proprietorship and private company

## 4. ENTREPRENEURSHIP DEVELOPMENT

### LEARNING OBJECTIVES

After learning this concept the learners will be able to :

- Understand the meaning of Entrepreneurship
- Appreciate the benefits of Entrepreneurship
- Understand the significance of start up India scheme in the economic development of India

### ENTREPRENEURSHIP

Entrepreneurship is the process of setting up one's own business as distinct from pursuing any other economic activity, be it employment or practicing some profession. The person who set-up his business is called an entrepreneur. The output of the process, that is, the business unit is called an enterprise. Entrepreneurship as a systematic, purposeful and creative activity of identifying a need, mobilising resources and organising production with a view to delivering value to the customers, returns for

the investors and profits for the self in accordance with the risks and uncertainties associated with business.

## ENTREPRENEUR

The term 'entrepreneur' was first introduced in economics by the early 18th century French economist Richard Cantillon. In his writings, he formally defined the entrepreneur as the 'agent who buys means of production at certain prices in order to sell the produce at uncertain prices in the future'.

## PROCESS OF ENTREPRENEURSHIP

- Self-Discovery,
- Identifying Opportunities,
- Generating and Evaluating Ideas,
- Planning,
- Raising Start-up Capital,
- Start up,
- Growth,
- Harvest.

## FUNCTIONS OF ENTREPRENEURS

- Contribution to Gross Domestic Product
- Capital Formation
- Generation of Employment
- Generation of Business Opportunities for Others
- Improvement in Economic Efficiency
- Increasing the Spectrum of Economic Activities
- Impact on Local Communities
- Fostering the Spirit of Exploration, Experimentation and Daring



## 6. START UP INDIA

The Startup India Scheme is a flagship initiative of the Government of India with an objective to carve a strong ecosystem for nurturing innovation and start-ups in the country. This drive will lead towards sustainable economic growth and generate large-scale employment opportunities.

## OBJECTIVES OF STARTUP INDIA SCHEME

- trigger an entrepreneurial culture and inculcate entrepreneurial values
- create awareness about the charms of being an entrepreneur
- encourage more dynamic start ups by motivating educated youth, to consider entrepreneurship as a lucrative career,
- support the early phase of entrepreneurship development

## WAYS TO FUND STARTUP

- Boot Strapping
- Crowd funding.
- Angel Investment
- Venture capital
- Business Incubators and Accelerators.
- Microfinance and NFBCs



## ROLE OF TEACHERS IN INCULCATING THE SPIRIT OF ENTREPRENEURSHIP

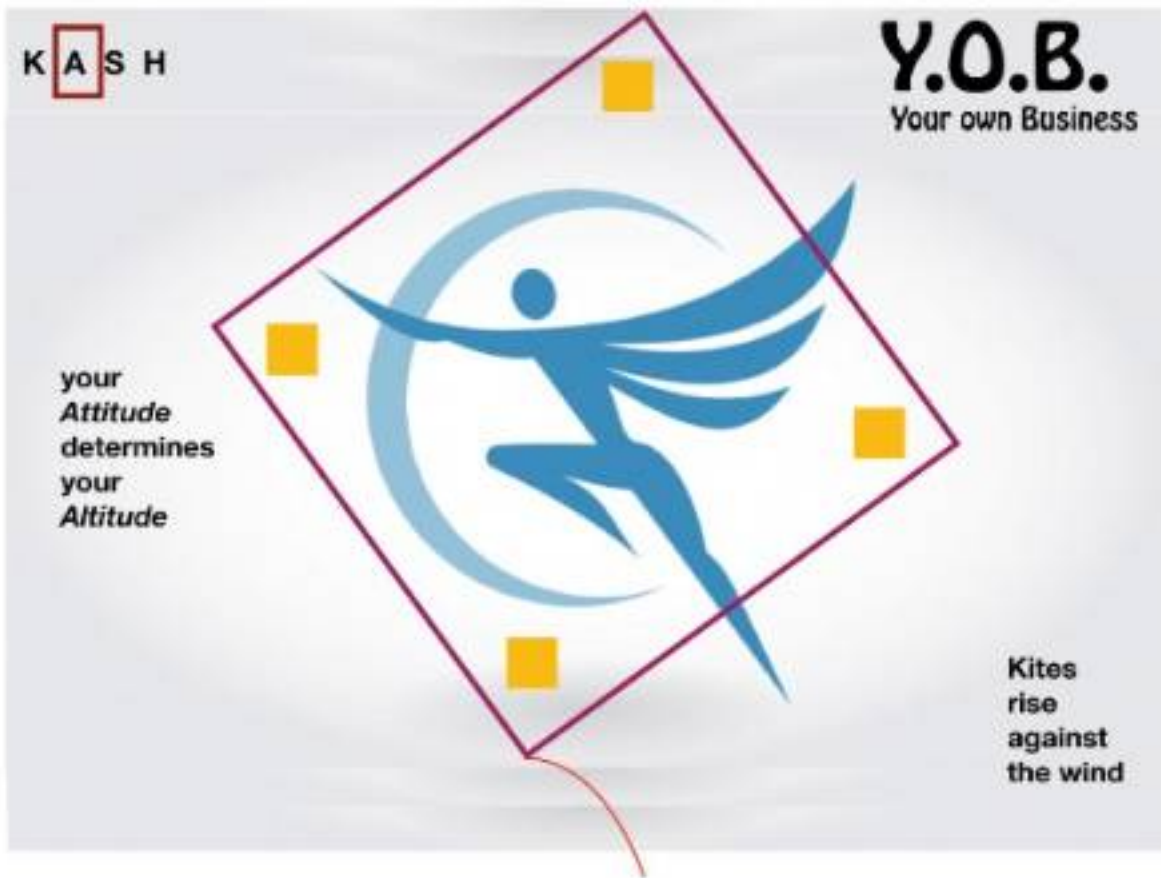
Teachers are great influencers. They are the country's best bet to inculcate among youth a keen desire to becoming a job provider than being a job seeker! The teachers can indeed inspire the students such that they prefer JOB (your own business) over JOB. It is not difficult to envisage that the essence of commerce education lies in entrepreneurship development. Thus, we as teachers need to emphasize that knowledge, attitudes, skills and habits that will enable and empower our learners to earnestly pursue a career in entrepreneurship.

**K A S H**

**Y.O.B.**  
Your own Business



*Knowledge & Knowhow  
is to know  
all that you can  
... for the rest  
to know  
who knows!*







How do we inculcate the spirit of entrepreneurship? By enabling and empowering our learners via strengthening their KASH! Consider for example the following two exercises.



**Exercise #1**  
**Who Am I**

Write an Essay on the topic  
'Who Am I?'

Let this be an aspirational extension of the essay 'Myself' that you wrote in your primary/middle classes. Thus focus on what all you can do/ that is use verbs or action words: list all your existing skills; state how valuable, rare, non-imitable and non-substitutable are those skills; how much would you be able to earn should you like to market these skills; how would you market these, and so on; what you want to be; state your career aspirations, the competition involved, what hurdles you perceive and the measures you plan to take to overcome these. **DO NOT FEEL CONSTRAINED BY THE LANGUAGE. IT COULD BE YOUR MOTHER TONGUE/HINDI/URDU/ ENGLISH or a mix of these.**



## मेरा दस्तखत

### Exercise #2 My Portfolio

Bring to the interactive sessions portfolio of expressions of your skills. And present your skills before the others. Ideally create a bazar / market for your skills. So if you can draw or paint, please bring your portfolio or products for sale; if you can design, stitch, weave or do embroidery, bring your samples or products for sale; if you can make music i.e. you are a music producer/ composer, sing or play an instrument come ready to perform on demand for a fee; if you can think, bake or cook new recipes get those to sample and sell; if you are an author that is can write poems, stories bring your diaries; if you know photography or graphic designs, please bring samples; if you can dance or choreograph be ready for an impromptu performance; if you know origami or any other craft please bring portfolio/ sample)

In sum, Let us as teachers sow the seeds of thoughts, words, deeds, habits and character among the youth to prepare them for successful career and life as entrepreneurs.

### Cultivating Success

## Y.O.B. Your own Business



As you Sow  
So shall you Reap!

*sow the seeds of* **THOUGHTS**  
*reap the harvest of* **WORDS**  
*sow the seeds of words*  
*reap the harvest of* **DEEDS**  
*sow the seeds of deeds*  
*reap the harvest of* **HABITS**  
*sow the seeds of habits*  
*reap the harvest of* **CHARACTER**  
*sow the seeds of character*  
*reap the harvest of* **SUCCESS!**



## 6. INTELLECTUAL PROPERTY RIGHTS (IPR)



Intellectual property represents to the creations of the human mind, like inventions, literary and artistic works, symbols, names, images and designs used in business. Intellectual property is divided into two broad categories:

- Industrial property, which includes inventions (patents), trademarks, industrial designs and geographical indications.
- Copyrights, which includes literary and artistic works, such as novels, poems, plays, films, musical works, artistic works, such as drawings, paintings, photographs and sculptures and architectural designs.

### SIGNIFICANCE OF INTELLECTUAL PROPERTY

- Encourages creation of new, path-breaking inventions.
- Incentivises inventors, authors, creators, etc., for their work.
- Helps in the prevention of loss of income.
- Helps authors, developers and owners to get recognition for their works.



### QUESTIONS

1. Clarify the meaning of the terms 'entrepreneur,' 'entrepreneurship,' and 'enterprise.'
2. Why is entrepreneurship regarded as a creative activity?
3. "Entrepreneurs undertake 'moderate' risks." Elaborate this statement.
4. How does entrepreneurship result in increasing the spectrum and scope of economic activities?
5. Imagine that an electronics company produces portable Bluetooth speakers shaped like a small heart shape key ring. How can it stop people from copying its design?
6. Write down the names of one of your favourite book/film, song. Find out who the original characters are and who owns the copyright for each creation?
7. Describe briefly the steps involved in starting a new business.
8. Examine the nature of relationship between entrepreneurship and economic development.
9. Discuss the features of the Startup India Scheme of the Government of India.

## CASE STUDIES

### CASE-1

ITC Ltd. challenged Britannia Industries Ltd. for the use of their trade secret of 'No Added Sugar and no maida' in a range of their biscuits named 'Sunfeast farmlite all good biscuits'. As per the former co., latter co's product 'Nutrigo Digestive Zero' was also a 'No Added Sugar and No Maida product' and also had a packaging which was deceptively similar to product packaging of 'Sunfeast Farmlite All Good'. Allegedly, both the products were being sold in the colour combination of Yellow and blue.

- a) Which concept of business protection laws can help ITC Ltd to protect themselves against Britannia Industries?
- b) What is the basic purpose served by the above identified concept?

### CASE-2

Karan, a rural boy, identifies the potential of Organic Farming in the village. He meets the zonal agricultural officer, who, looking at the determination of organic farming. The zonal agricultural officer helps him to arrange and procure multiple resources required for his farm land. Karan takes a loan of Rs. 50,000/- from SBI as his seed money of Rs. 10,000/- is not enough to cater the requirement. Karan ties up with a nearby city's vegetable shop owner to sell his yield. His hard work pays and the organic vegetables are a hit.

**Do you think Karan, organic vegetable producer exhibits good entrepreneurial skills? Give reasons in support of your answers.**

## PEDAGOGY OF TEACHING COMMERCE AND ASSESSMENT STRATEGIES

Commerce is an important subject in this ever increasing competitive world and if its teaching - learning is dynamic, the growth of nation may be faster. Teaching and learning are two interrelated processes. Learning by pupils in desired directions is the ultimate goal that the teachers ought to strive to achieve by following of well thought teaching procedure. Teaching method is instrumental in achieving the ends of learning. A teacher should have high degree of mastery over methods of presenting the learning experiences to his pupils and guiding them in learning.

In the words of Daugherty, ***"A good teacher is one who is able to strike an appropriate mix or combination of content, skills of teaching and media in order to maximize learning and to achieve the desired goals of education."***

Torrie rightly argued that *"method is that procedure by which a teacher meets the learner at his level, starting with his interest, and his problems and then establishes conditions that enable him to proceed to reach set goals in as effective a manner as possible."* Daughtery defined Method, *"the broad pattern of thinking that forms a path to a pre-determined goal."* Essentially Learner oriented methods make a comprehensive and critical exposition of all facets of teaching. It offers practical suggestions for making the teaching learning process effective, inspirational and interesting.

Business studies and accountancy are two important subjects of commerce stream. Teaching of these subjects is more challenging as these undergo rapid changes in respect of their curriculum which gets affected by changes in environment. In addition to the traditional methods such as Lecture method, Textbook, Discussion, Question Answer, some novel innovative methods must be practiced to make the teaching-learning process creative, interesting, and effective so that content retention in the memory is enriched for longer duration.

**Some of the novel methods of teaching commerce are as follows:**

1. Role Play
2. Cue cards
3. Power point presentations
4. Story Telling
5. Games viz. Crossword puzzle, word & card games
6. Quiz
7. Problem Solving
8. Project Method
9. Programmed Instruction



10 Activity based teaching viz Debate, Extempore

11 Relevant clippings from movies/videos

***\*Exemplars of some of the above methods are given in the following pages.***

**A commerce teacher must possess the below mentioned skills in Teaching Commerce that will be helpful in effective teaching.**

1. Skill of Reinforcement
2. Skill of Probing Questions
3. Skill of Explaining
4. Skill of Illustration With Examples
5. Skill of Classroom Management
6. Skill of Stimulus Variation

#### **ACTIVITY BANK IN TEACHING OF COMMERCE**

***"Activity Based Learning or ABL describes a range of pedagogical approaches to teaching. Its core premises include the requirement that learning should be based on doing some hands-on experiments and activities."***

Activity based learning is the demand of the day. To seek attention of the learner is the biggest challenge with the teachers teaching adolescents who are distracted through various reasons such as technological advancement of social media, growing and physical, mental, emotional and social change within

The purpose of ABL is to seek attention first, then to develop interest in the subject. Once the positive rapport is developed with the students, half of the battle is won. Content is available to the student through reference books, internet and other search engines, but a school teacher has to contribute in the overall development of the personality of the students besides subject teaching. These activities are specially designed which will be helpful for the students to gain confidence, skill development, mental development, communication skills and leadership quality etc.

The present section exposes you to the **"Activity Bank"** which is helpful in transacting the curriculum in an interesting way by participatory approach. These are not exhaustive. They are exemplars. Try these, explore and develop your own to enrich the existing Activity Bank



## ACCOUNTING TRAIN



This fun based activity may be used to summarize the Accounting Process or solving Comprehensive problem of project work.

**Step- 1.** Select one student among all as team leader. Title him or her as 'IRCSAC' engine from where 'Accounting train begins'. Divide the remaining class students in six groups.

**Step - 2.** First team will be titled as **Identification**.

Teammates will identify the transactions. Members may read out the transactions that may be further identified as accounting or non-accounting transactions\*\* *For example*, we would like to take only two transactions, a teacher may take more depending upon the time availability of classroom.

1. Manya started business with cash rupees 1,00,000.
2. Purchased goods from Akshit for rupees 20,000.

**Step- 3** Second team will be titled as **Recording**.

Teammates will record above transactions through subsidiary books or journal.

- |  |     |          |          |
|--|-----|----------|----------|
| 1. Cash A/c                                  | Dr. | 1,00,000 |          |
| To Manya's Capital A/c                       |     |          | 1,00,000 |
| (Being business started with cash.)          |     |          |          |
| 2. Purchase A/c                              | Dr. | 20,000   |          |
| To Akshit A/c                                |     |          | 20,000   |
| (Being credit purchase of goods from Akshit) |     |          |          |

**Step 4.** Third team will be titled as **Classification**.

Teammates will classify through Ledger accounts and post on Debit or Credit side of the respective account

(i) Cash A/c					
Dr.			Cr.		
Date	Particulars	Amount(₹)	Date	Particulars	Amount(₹)
	To Capital A/c	100000			

(ii) Capital A/c					
Dr.			Cr.		
Date	Particulars	Amount(₹)	Date	Particulars	Amount(₹)
(iii)				By Cash A/c	100000

(iv) Purchase A/c					
Dr.			Cr.		
Date	Particulars	Amount(₹)	Date	Particulars	Amount(₹)
	To Akshit's A/c	20000			

(v) Akshit (Creditor A/c)					
Dr.			Cr.		
Date	Particulars	Amount(₹)	Date	Particulars	Amount(₹)
				By Purchase A/c	20000

**Step -5.** Fourth team will be **Summarizing.**

Teammates will list down the balances of ledger accounts, then transfer revenue natured items on respective income statement and capital nature items in position statement.

**Trading and Profit/Loss A/c**

For the year ending .....

Dr.				Cr.	
Particulars	Amount(₹)	Particulars	Amount(₹)		
To Purchase A/c	20000	By Closing Stock	20000		

**Balance Sheet**

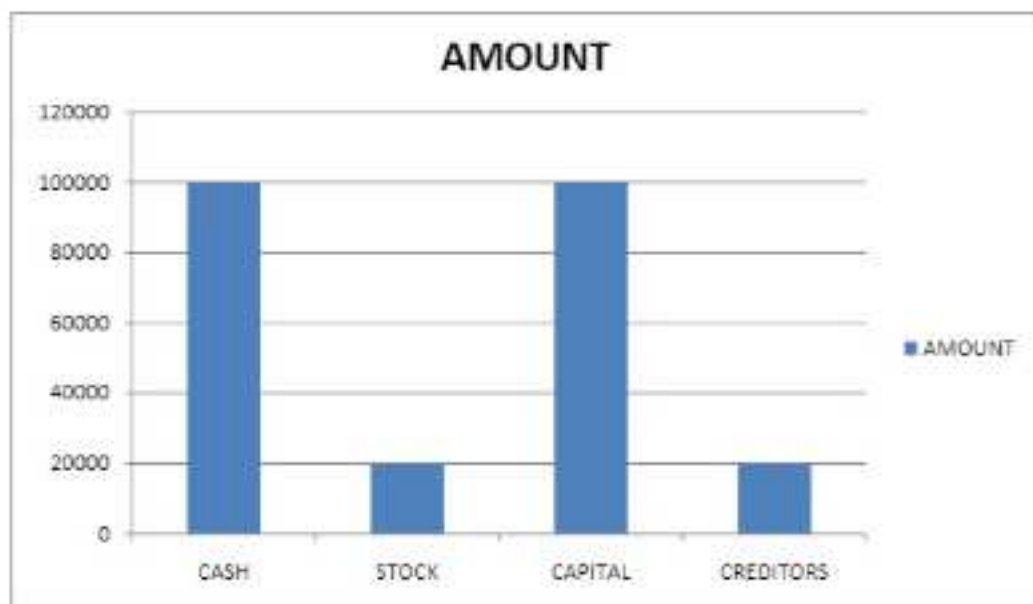
As at .....

Liabilities	Amount	Assets	Amount
Capital	100000	Cash	100000
Creditors	20000	Stock	20000

**Step- 6.** Fifth team will be **Analyzing.**

Teammates may call out different tools of analysis. But teacher will be suggesting using only statistical techniques and not accounting tools based on their previous study. In class XII, a teacher may use accounting tools.





**Step 7.** Sixth teammates will be **Communicating or Reporting** the information. Teammates may read out the reporting statements.

Assets = ₹1,20,000.

Capital = ₹1,00,000.

Creditors = ₹20,000.

Business is a newly established entity.

- This is a mnemonic device which is used to memorise large information in chunks. Here IRCSAC is used for remembering the 'Accounting Process' i.e. **I** – Identifying, **R** – Recording, **C** – Classifying, **S** – Summarising, **A** – Analysing and **C** – Communicating.

\*\* Non-accounting transactions *for example*, one did preliminary study to establish a business that cannot be recorded.

***Likewise you may develop several other activities to make learning Joyful.***

#### **QUIZ AS AN ASSESSMENT TOOL**

Quiz is an act of questioning. It can be used to test memory, recall & basic reasoning.

**It is a formative as well as summative assessment tool.**

**It helps to improve decision making skills & communication skills.**

As **Formative tool** of assessment it provides immediate feedback on the learning progress of the students. It promotes involvement of the students in the content being taught. It points out the gaps in the learning & remedial teaching can be done.

As **Summative tool** of assessment it can be conducted after teaching a particular topic. GST has been introduced included in the Accountancy syllabus of Class XI and is a very relevant topic this year. It is attracting the attention of teachers as well as students.

**Quiz is an effective method of teaching & assessment. An example of Quiz on GST is given below-**

**\*Exemplar**

**QUIZ ON GOODS AND SERVICES ACT**

**Que** When did GST came into force?

**Ans** July 1, 2017.

**Que** What is the GST threshold limit in States ?

**Ans** It is ₹ 20 Lakhs in States & ₹ 10 Lakhs in hilly areas.

**Que** A taxable person's business is in many states. Supplies in all states put together ₹ 10 Lakhs. But he is engaged in interstate supply from out state. Is he liable for registration & has to pay GST?

**Ans** Since he is engaged in interstate supply, he is liable to pay IGST.

**Que** Can one state input CGST be used to pay another state output CGST?

**Ans** Yes, perfect CGST of one state can be used to set off against output CGST of another state. The CGST & SGST credit for a state can be utilized for payment of their respective CGST / SGST liabilities within the state.

**Que** What is IGST?

**Ans** IGST is levied in the case of inter-state supplies applicable on both goods & services. IGST will be collected by the centre.

**Que** What kind of GST is applicable in Intra- state supplies?

**Ans** In intra -state transactions of goods & services CGST & SGST are applicable at half the prescribed rate each. For example if rate of GST is 18% CGST charged will be 9% & SGST 9%.

eg. Raghu a dealer in Delhi sold goods to Raghav in Delhi of ₹ 10000. The GST rate is 18% comprising of CGST rate of 9% & SGST rate of 9%. In such case dealer (Raghu) will collect ₹ 1800 and ₹ 900 as CGST and ₹ 900 as SGST.

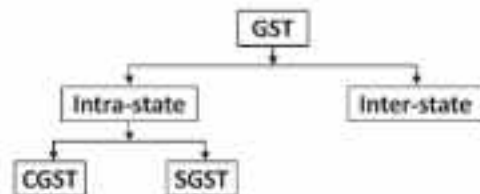
Now, if Rahu is in Delhi had sold goods to Ram in Gujarat of ₹10,000. The GST rate is 18%. In such case Raghav will charge 1800 as IGST.

**Que** Who is liable to pay GST?

**Ans.** The end-user consuming goods & services is liable to pay the GST. The tax is received by the state in which the goods & services are consumed & not by the state in which such goods are manufactured.

**Que** Why there is division into SGST, CGST & IGST (Separate Tax)?

**Ans.** Since both the centre & State Govts. have the power to collect taxes, the centre & states are simultaneously levying GST.



**Que** In which order the IGST credit will be set off?

**Ans.** First set off against IGST liability  
Then CGST  
The balance credit if any will be set off SGST

**Que** How to decide if CGST, SGST or IGST is applicable?

**Ans.** First take into consideration or decide that whether the transaction is intra state or interstate.

**Intra- State supply of Goods & Services** – When the location of the supplier & location of the buyer are in the same state. The seller will levy and collect both CGST & SGST from the buyer. The CGST will be deposited with the centre & SGST with the state Govt.

**Inter -State Supply of Goods & Services** – When the location of the seller & place of supply in different states, seller will collect IGST from the buyer & it will be deposited with the centre.

**Que** How many Slabs are there in GST? Which type of tax is it?

**Ans.** GST is an indirect tax (levied at the place of consumption or consumption tax) levied in India on the sale of goods & services. Goods & Services are divided into five tax slabs for collection of tax 0%, 5%, 12%, 18% & 28%.

**Que** State the types of taxes merged?

**Ans.** All indirect taxes are merged except

- (i) Customs Duty on import of goods
- (ii) Alcohol for human consumption
- (iii) Petroleum and
- (iv) Taxes levied by Local Bodies such as Mandi Board.

**Que** Why GST?

**Ans.**

- Unified Tax on Goods & Services
- Do away with other small taxes – multiple taxes
- Revenue from GST sharing are more systematic

**Que** What are the advantages or benefits of GST?

**Ans.**

- Uniform tax system
- Reduction in tax evasion
- Exports will be more competitive
- More foreign investment

**Que** State Problems / Obstacles in GST?

**Ans.**

- Unstable political system
- Dispute in sharing between Centre & State
- Highly professional manpower & infrastructure.

**Que** How Many accounts are prepared for GST?

**Ans.**

Input	IGST A/c
	CGST A/c
	SGST A/c
Output	IGST A/c
	CGST A/c
	SGST A/c
	Electronic Cash Ledger

**Que** If a trader is doing business in different states, he has to prepare single GST A/c or Accounts for each state?

**Ans.** He has to prepare all GST A/c for each state separately.

**SMART SKILLS****(BUSINESS STUDY KEY WORDS IN THE CASE STUDY)**

<b>NATURE AND SIGNIFICANCE OF MANAGEMENT</b>		
<b>S.NO</b>	<b>CLUE /WORDS IN THE CASE STUDY</b>	<b>UNDERLYING CONCEPT</b>
1.	Process of getting things done with the aim of achieving goals efficiently and effectively	Management
2.	Intangible Force/ Multi-dimensional	Management
3.	Achieving Targets	Effectiveness
4.	Reducing Cost	Efficiency
5.	Binding force, common thread, synchronisation of activities, implicit and inherent in all function of managements of management	Coordination
6.	Quality of Management	Coordination
7.	Essence of Management	Coordination
8.	Synchronization of Group Efforts	Coordination
9.	Growth and Survival	Organisational Objective
<b>PRICIPLES OF MANAGEMENT</b>		
<b>S.NO</b>	<b>CLUE WORDS IN THE CASE STUDY</b>	<b>UNDERLYING CONCEPT</b>
1.	One best method to maximise efficiency developed through study and analysis	Science not rule of thumb
2.	Complete harmony between the management and workers, both realised each one is important	Harmony not discord
3.	Extension of harmony not discord, competition replaced by cooperation, almost equal division of work	Cooperation not individualism
4.	Paternalistic Style of Management	Cooperation Not Individual

5.	Worker training and development, concern for efficiency could be built in right from the process of employee Selection	Development of each and every person to his or her greatest efficiency
6.	Change in the Outlook of Management and Workers Towards Each Other Or Transformation in the Attitude of Management and Workers Towards Each Other	Mental Revolution
7.	Separation of Planning from doing	Functional Foremanship
8.	Separation of planning and execution function of management, extension of division of work,	Function of management foremanship
9.	Standardisation- process of setting standard; devising new varieties instead of old ones simplification- eliminating superfluous varieties, sizes, dimensions	Standardisation and simplification of work
10.	Eliminating Unnecessary Diversity of Products	Simplification
11.	Uniformity in Materials, Machines and Tools	Standardisation
12.	One best method	Principle : Science Not Rule of Thumb Technique : Method Study
13.	One Best Method to Maximise Efficiency / One best way of doing job,	Method Study
14.	Study of movements, elimination of unnecessary movements	Motion study
15.	Standard time taken to perform a well defined job	Time study
16.	Change in the attitude of workers, change of mindset	Mental revolution



17.	Division into small tasks, intent is to produce more and better work for same effort	Division of work
18.	Authority- right to give orders, and obtain obedience responsibility- corollary of authority	Authority and responsibility
19.	Obedience to organisational rules, employment agreement/ Judicious Application of Penalties	Discipline
20.	One boss, dual subordination should be avoided	Unity of command
21.	One head one plan, prevents overlapping of activities/One Head One Plan	Unity of direction
22.	Interest of organisation should take priority over the interest of individuals	Subordination of individual interest to organisational interest
23.	Fair compensation for both employees and organisation	Remuneration of employees
24.	Centralisation- retention of decision making authority decentralisation- dispersal of decision making authority	Centralisation and decentralisation
25.	Chain of authority and communication	Scalar chain
26.	Place for everything and everything in its place	Order
27.	Kindliness and justice in the behaviour of managers towards workers	Equity
28.	Employee turnover should be minimised to maintain organisational efficiency	Stability of personnel
29.	Taking first step with self- motivation	Initiative
30.	Encouraging Suggestions from Employees	Principal of Initiative

31.	Team spirit/Replace 'I' With 'We'	Espirit de corps
32.	Encouraging Suggestion from Employees	Fayol: Principle of Initiative Taylor: Cooperation Not Individualism
33.	Incentive Bonus Plan	Differential Piece Wage System

#### **BUSINESS ENVIRONMENT**

S NO	CLUE WORDS IN THE CASE STUDY	UNDERLYING CONCEPT
1.	Sum Total of External Factor/ Force Or Sum total of all individuals, institutions and other forces outside the organisation beyond control	Business Environment
2.	Business environment differs from region to region	Business Environment is Relative
3.	Business environment includes closely inter-related factors	Business Environment is Complex
4.	Sum total of society's belief, customs, practices and behavior	Social Environment
5.	Abolition of licences	De-Licensing
6.	Disinvestment of public sector	Privatisation
7.	Integration of economy with rest of the world	Globalization
8.	Invention of new machines, upgrading of technology	Technological Environment
9.	Set of rules, regulations and law of land	Legal Environment
10.	Attitude of elected Government representatives towards business	Political Environment

#### **PLANNING**

S.NO	CLUE WORDS IN THE CASE STUDY	UNDERLYING CONCEPT
1.	Primary function of Management or Setting objectives and developing appropriate course of action to achieve objectives.	Planning
2.	Type of one of the Functions of Management	Type of Per The

		Plan is Given To Identified Study
3.	Limitations of a Function of Management	Planning
4.	Forward Looking Function	Planning / Controlling
5.	End result of activities	Objectives
6.	General Guidelines to Decision Making / General statements, define broad parameters	Policy
7.	Specific Statement	Rule
8.	Exact Manner of Doing a Work/Sequential Steps to Carry out Activities/Routine steps, chronological order,	Procedure
9.	Numerical Plan/ Quantitative Plan	Budget
10.	Prescribed Way of Doing A Task/ Prescribed ways or manner, deals with a task comprising one step of procedure	Method
11.	Comprehensive Plan/ Comprehensive plan for achieving objectives	Strategy
12.	Detailed Statement about Project/ Detailed statements	programme
<b><u>ORGANISING</u></b>		
S NO	CLUE WORDS IN THE CASE STUDY	UNDERLYING CONCEPT
1.	Efforts are directed towards the attainment of goals laid down in planning in such a manner that resources are used optimally and people are able to work collectively and effectively.	Organising
2.	Grouping of jobs of similar nature under function of management, all department report to a coordinating head	Function of management structure
3.	Framework within which managerial and operative tasks are Performed	Organisational Structure
4.	Downward transfer of authority	Delegation
5.	Obligation of a subordinate to properly perform	Responsibility

	the assigned duty	
6.	Being answerable for final outcome	Accountability
7.	Sharing work and authority by a superior with his subordinates	Delegation of Authority
8.	Autonomy/Belief in Subordinates/Systematic dispersal of authority to all levels	Decentralisation
9.	Concentration of authority at Top Level	Centralization
10.	Occupational Specialisation	Functional Specialisation/ Functional Structure
11.	Network of Social Relationships	Informal Organisation
12.	System of well defined job/ Specifies clearly the authority and Responsibility	Formal Organisation
13.	Number of Subordinates that can be Effectively Managed by a Superior	Span of Management
14.	Product Specialisation/Morethanone product, separate units to Divisions	Divisional Structure
15.	Grouping similar jobs into larger division	Departmentation
16.	Ranking Order of Job Positions	Hierarchy

### **STAFFING**

S NO	CLUE WORDS IN THE CASE STUDY	UNDERLYING CONCEPT
1.	Obtaining, utilising, maintaining a satisfactory and satisfied workforce.	Staffing
2.	Workload analysis and workforce analysis	Manpower requirement
3.	Searching for prospective employees and stimulating them to apply for jobs	Recruitment
4.	Process of choosing from among pool of prospective job candidates developed at the stage of recruitment.	Selection
5.	Vertical Movement of Employees along the Organisational Structure	Promotion
6.	Horizontal Movement of Employees along the	Transfer

	Organisational Structure	
7.	Placement- joining a job orientation- introducing the selected employee to other employees	Placement and orientation
8.	Learning opportunities designed to help employees grow well.	Development
9.	Familiarizing New Employees with Organisation	Orientation/induction Training
10.	Training to use Sophisticated/Hi-Tech Machine Or Formachines, adopted to handle complicated and sophisticated machinery and equipments	Vestibule Training
11.	Training under Master Workers/ Put the trainee under guidance of a master worker	Apprenticeship Training
12.	Training through Collaboration between Educational Institute and Business Organisation/Practical training of theoretical knowledge.	Internship Training
13.	Joint program of training in which educational institutions and business firms cooperate	Internship-on the job
14.	Shifting the trainee from one department to another	Job rotation-on the job
15.	Use of audio visual aids	Class room lectures- off the job
16.	Computer learning	Computer modelling- off the job
17.	Instructs the trainee as a coach,	Coaching- on the job
18.	Learning while doing	On the Job Training
19.	Learning before doing	Off the Job Training

	<u>DIRECTING</u>	
S.NO	CLUE WORDS IN THE CASE STUDY	UNDERLYING CONCEPT
1.	Process of instructing, guiding, counselling, motivating, and leading people in the organisation.	Directing
2.	Executive Function/Heart of Management	Directing
3.	Overseeing the Subordinates/ Overseeing the activities, guiding the subordinates	Supervision
4.	Stimulating Employees/Incitement/ inducement to action move, process of making subordinates to act in a desired manner	Motivation
5.	Influencing Employees/Stimulating Employees to Achieve Goals/Process of influencing the behavior of people	Leadership
6.	Boss Centred Leadership/Leader gives orders and expects his subordinates to obey them	Autocratic Leadership/ authoritarian leader
7.	Group Centred Leadership/Leader prepare plan and makes final decision in consultation with subordinates.	Democratic Leadership/participative leader
8.	Subordinates Centred Leadership/ Group members work on their own tasks resolving issues themselves, managers is only to support	Free—rain Leadership/Laissez faire
9.	Needs of Self-Understanding	Self-Actualisation Needs
10.	Communication through Chain of Command / Flows through official channel, designed in the organisation chart	Formal Communication
11.	Communication without following Chain of Command/Without following the formal lines, grapevine	Informal Communication



12.	Share of profit given to employees/Share in surplus profit to employee + wages.	Profit sharing-financial incentive
13.	Employees are offered company share at a set price/Wages+ share in profit + capital share(Mgt share) in the bonus share.	Co-partnership/stock option-financial incentives
14.	Basic pay+ DA+ HRA+ CCA.	Pay and allowances-financial incentive
15.	Wages is linked to increase in productivity at individual/group level.	Productivity linked wage incentives
16.	Reward on one time basis for high performance given in cash, bonus share, trips, prize.	Bonus
17.	Provident fund, gratuity, pension, Increase motivation to work for the organization.	Retirement benefits
18.	Includes car allowance, housing, medical aid, education to children.	Perquisites
19.	Rewards, responsibility, recognition/Increasing status an employee get more authority, responsibility, reward, recognition.	Status- non financial incentive
20.	Distinguish one organization from other include reward system, risk-taking, employee autonomy.	Organizational climates
21.	Assignment of challenging job	Job enrichment
22.	Autonomy, reward orientation, consideration to employees, risk taking	Organisational benefit- non financial incentive
23.	Skill development program, sound promotion policy/ Manager should provide opportunity for development of Work skill by training& development programme	Career advancement- non financial incentive
24.	Ensure regular income in future& relieves the employees from worries.	Job security

25.	Greater variety of work content,	Job enrichment- non financial incentive
26.	Congrats the employee, display on notice board, award or certificates for best performance, mementos/ Acknowledgement & appreciation of good performance.  Congratulating, notice board, giving awards/certificate/mementoes/complimentary gift.	Employee recognition programme- non financial incentive
27.	Joint management committees, work commitments, canteen commitments / Active involvement of employees in the decision making Joint committees, work committees, canteen committees.	Employee participation- non financial incentive
28.	Makes people feel that they are important/Grant of Autonomy & power to employees.	Employee empowerment- non financial incentive

#### **CONTROLLING**

S.NO	CLUE WORDS IN THE CASE STUDY	UNDERLYING CONCEPT
1.	Comparing actual performance with standard	Controlling
2.	Gap between actual results and desired results	Deviation
3.	Backward Looking Function	Controlling/Planning
4.	Key Result Areas	Critical Point Control
5.	If you try to control everything you may end up controlling nothing/Significant deviations to be considered by management.	Management By Exception Should Be Adopted
6.	Criteria against which performance is measured	Standard

	<b><u>FINANCIAL MANAGEMENT</u></b>	
S.NO	CLUE WORDS IN THE CASE STUDY	UNDERLYING CONCEPT
1.	Decision affecting liquidity and profitability of a business	Short term investment decision/working capital decision
2.	Decision affecting financial risk and profitability of a business/	Capital structure decision
3.	Decision that relates to fund requirements both in terms of the quantum as well as the timing./Financial Blueprint of Operations/ It involves preparation of a financial blueprint of an organization. It is the process of estimating the fund requirement of a business and determining the possible sources from which it can be raised.	Financial Planning
4.	Decision Affecting Growth, Financial Risk and Profitability of a Business/Long-term investment Decision	Capital Budgeting Decision
5.	Proportion of Debt and Equity	Capital Structure
6.	Cheapest Source of Finance	Debt
7.	Riskless Source of Finance	Equity
8.	Short Term investment decisions	Working Capital Decisions
9.	These are decisions w.r.t quantum of finance or composition of funds from various long- term sources.(short term = working capital management)	Financing Decision
10.	a) Decision whether or not to use a combination of ownership and borrowed funds. b) Determining their precise ratio.	Financing Decision
11.	that portion of divisible profits that is distributed to the owners i.e. the shareholders. It results in current income for the shareholders.	DIVIDEND

12.	proportion of profits kept in, that is, reinvested in the business for the business	Retained earnings
13.	whether to distribute earnings to shareholder as dividends or retain earnings to finance long-term profits of the firm. Must be done keeping in mind the firms overall objective of maximizing the shareholders wealth.	DIVIDEND DECISION
14.	equity share capital + preference share capital + reserves and surpluses + retained earnings = EQUITY	Owners funds
15.	loans + debentures + public deposits = DEBT	Borrowed funds
16.	The mix of long-term sources of funds Refers to the proportion of debt and equity used for financing the operations of a business.	Capital Structure
17.	Also called Investment or Capital Budgeting Decisions and involves allocation of firm capital to different projects or assets with long term implications for the business.	MANAGEMENT OF FIXED CAPITAL
18.	short term finance (invested in a business for a short period usually up to one year) It is required to meet day to day operating expenses	Working Capital
19.	Duration of time between acquisition of supplies and collection of cash from receivables is called	Operating Cycle
<b>FINANCIAL MARKET</b>		
S.NO	CLUE WORDS IN THE CASE STUDY	UNDERLYING CONCEPT
1.	New Issue Market	Primary Market
2.	Market for Existing Securities	Secondary Market
3.	Bridge Financing	Commercial Paper
4.	Holding Securities to Electronic Form	Dematerialization
5.	Institution holding Securities in Electronic Form	Depository

6.	<p>Market for Short-term Funds/ Market for financial securities with maturity period of less than one year.</p> <p>Mkt for low risk, unsecured and short term debt instruments that are highly liquid are traded everyday.</p> <p>No physical location by conducted over the telephone and the internet.</p>	Money Market
7.	Market for Long-term Funds	Capital Market
8.	Zero Coupon Bonds	Treasury Bill
9.	Contact Points with Investors	Depository Participants
10.	process of allocating funds from saving surplus units(E.g. households) to saving deficit units (e.g. industries, government etc).	Financial Intermediation
11.	the institutional arrangements by which savings generated in the economy are channelised into avenues of investment by industry, business and the government. It is a market for the creation and exchange of financial assets.	Financial Markets
12.	Issued by RBI on behalf of the government, maturity period 14 days to 364 days and minimum amount of investment Rs. 25,000 and multiple there of	Treasury Bills
13.	Issued by the Companies & maturity period 15 days to 365 days & minimum investment Rs. 5,00,000.	Commercial Paper
14.	Issued by Bank & maturity period 1 day to 15 days & minimum investment is variable.	Call Money
15.	Issued by Commercial Bank's & DFI's & maturity period 91 days to 365 days & minimum investment Rs. 5,00,000.	Certificate of Deposit
16.	Issued by Firm & maturity period 90 days & minimum investment variable.	Commercial Bill

17.	Facilities and institutional arrangements through which long term securities are raised and invested-both debt and equity.	Capital Markets
18.	Initial Public offer = First time sale of securities	IPO
19.	Prospectus provides details about an issue and therefore helps the potential investor to understand and evaluate the issue.	Offer through prospectus
20.	Securities are sold en block at an agreed price through an intermediary like issuing houses or stock brokers who then sells them to the general public at a higher price.	Offer for sale
21.	Allotment of shares to institutional investors and some selected individuals.	Private placement
22.	Issuing of fresh capital through the on-line system of the stock exchange.	E-IPOs
23.	Existing shareholders are offered the 'right' to buy new shares in proportion to the number of shares they already possess	Rights Issue
24.	Stock Exchange means any body of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating and controlling of business in buying, selling and dealing in securities.	Stock Exchange

### **MARKETING**

S.NO	CLUE WORDS IN THE CASE STUDY	UNDERLYING CONCEPT
1.	Marketing through emphasis on low cost of Production/ Affordability/ Availability Or Marketing to Ensure Affordability and Availability of Product	Production Concept
2.	Marketing through emphasis on Good Quality of Product/ Marketing with Focus on Quality and Performance of Product	Product Concept
3.	Marketing through emphasis on aggressive advertising and sales Promotion	Selling Concept



4.	Marketing through emphasis on making an effort to find wants of people and fill them	Marketing Concept
5.	Marketing through emphasis on adopting environmental friendly Techniques	Societal Marketing Concept
6.	Image/Goodwill of Business Or Protect and Promote Company's image	Public Relation
7.	Set of Controllable Factors/ Variables	Elements of Marketing Mix
8.	Offering Products at Special Price	Rebate
9.	Offering products at less than special price	Discount
10.	Personal form of communication/Selling Products Personally	Personal Selling
11.	Paid Form of Non-Personal Form of Communication/Non-Personal presentation of Idea	Advertising
12.	Part of Brand Name which can be uttered/ Part of Brand Name which can be spoken	Brand Name
13.	Part of Brand Name which is unutterable / Part of Brand Name which can be recognized/Part of brand that is in the form of symbols, design, color scheme or lettering that cannot be uttered but can be recognized.	Brand Mark
14.	Registered Brand Name/ Brand Mark/ Brand/ part of brand that is given legal protection against its use by other firms.	Trade Mark
15.	To be successful, a firm needs to take sound decisions wrt controllable factors while keeping the environmental factors in mind.	Marketing Mix
16.	relates to decisions regarding planning, developing and producing the right type of products and services for the consumers.	Product Mix
17.	It is a value that a buyer passes on to the seller in lieu of the product or services provided. It is a source of revenue for the seller.	Price Mix

18.	Set of decisions that need to be taken in order to make the product available for purchase and consumption of the target market at the right place, in the right time and at the right price	Place Mix
19.	These are activities undertaken to persuade and motivate people to buy their products. It involves communicating the features, attributes, availability, merits etc of the product to both the customers and the participants in the channels of distribution in order to achieve sales goals	Promotion Mix
20.	Name of the whole class of the product. Eg Toothpaste, wrist watch etc.	Generic name
21.	the process used to create a distinct identity of a product. It is the process of using a name, term, symbol or design individually or in some combination to identify a product	Branding
22.	Name, term, sign, design or some combination of the above used to identify the products of the seller and to differentiate them from those of competitors.	Brand
23.	Part of a brand that can be spoken	Brand Name
24.	Act of designing and producing an appropriate container or wrapper of a product	Packaging
25.	Attached to the product package. Helps in identification of product and communicating with the potential buyer and promoting the sales of the products  Providing necessary information to the consumers May be a simple tag attached to a product or complex graphics that are a part of the package	Labeling
26.	Involves physical handling of and movement of goods from the place of production to the place of consumption.	Physical Distribution

27.	Includes a series of firms/individuals/people/institutions/merchants and functionaries who form a network which helps in the transfer of title to a product from the producer to the end consumer. They help to overcome time, place and possession gaps that separate the goods and services from those who need/want them from those who want them.	Channels Of Distribution
28.	Short term incentives/other promotion activities that seek to stimulate interest, trial or purchase.	Sales Promotion
29.	Offering goods at a price lesser than the original price for a limited period of time to clear off excess stock. E.g a car manufacturer's offer to sell a particular brand of car at a discount of Rs.10,000, for a limited period.	Rebate/ Price Offs.
30.	A certain percentage of the price is reduced as a discount from the list price. Mainly used by retailers for a limited period when the season is about to change. e.g season's sale at snowwhite, reebok, lewis etc.	Discount
31.	Refunding a part of price paid by customer on production of some proof of purchase. e.g Rs 2 off on presentation of empty pack of Ruffle lays.	Refunds
32.	bonus product free on purchase of a product. Induces customers to switch brand. Shaker free with coffee, toothbrush free with toothpaste.	Product Combinations/ Premium/Gifts Offering a related/ bonus product
33.	Offering extra quantity of a product, e.g buy three soaps and get one free, shaving cream's offer of 49% extra.	Quantity Gifts
34.	Scratch a card and instantly win a refrigerator, car, T-shirt etc.	Instant Draws & Assigned Gifts

35.	Opportunity to win gifts, expensive goods/ holidays etc. on lucky draw coupons. These draws are taken by names of customers who have bought the goods.	Lucky Draw
36.	Discount voucher of related products or a free gift given with product, get a discount voucher for accessories on apparel purchase of Rs. 1,000 and above.	Usable Benefits
37.	Schemes of easy financing used for consumer durables e.g. washing machines, T.V etc. But one has to be careful about - file charges recovered by firms	Full Finance At 0%
38.	Offer of free samples of the product to potential customers.  Generally used at the time of introduction of a product	Sampling
39.	Competitive events involving application of skills or luck. e.g. solving a quiz, answering some questions	Contests
40.	Marketers pack some gift inside some of the product packages and the possibility of getting gifts lure the customers to buy the products.	Packaged Premium
41.	Special containers that can be reused by the customers are used to pack the products.	Container Premium
43.	Displays and product demonstration are set up at prominent places	Point Of Purchase
44.	Organized by manufacturers associations where members participate and display their goods in a stall.	Trade Shows

#### CONSUMER PROTECTION

S.NO	CLUE WORDS IN THE CASE STUDY	UNDERLYING CONCEPT
1.	Act guards and upholds the interest of consumers	Consumer Protection Act
2.	Right to be protected from hazardous goods	Right to Safety

3.	Consumer should get all information on the package and label of the product	Right to be Informed
4.	Seller should not force the consumers to buy a particular brand	Right to choose
5.	Right to Complaint	Right to Heard
6.	Right to get compensation against an unfair trade practice	Right to Seek Redressal
7.	Right to acquire knowledge about the product	Right to Consumer Education
8.	When value of goods & service and / or compensation claimed does not exceed Rs. 20 Lakhs	District Forum
9.	-Appeals against any order of any district commission within the state. -When value of goods & services and / or compensation claimed is between 20 Lakhs & One Crore.	State Commission
10.	-Appeals against any order of any State Commission. -When value of goods & services and / or compensation claimed is more than One Crore.	National Commission
11	Who can file a complaint	<ul style="list-style-type: none"> <li>a) Any consumer</li> <li>b) Any Registered Consumers Association</li> <li>c) The Central Government or Any State Government</li> <li>d) One or more consumers on behalf of numerous consumers having same interests</li> <li>e) A legal heir or representative of a deceased consumer.</li> </ul>

## COMMON ERRORS COMMITTED BY STUDENTS IN CLASS XII BOARD EXAMS

It has been observed that students appearing for class-XII Board exams, commit certain types of mistakes. If the teachers are oriented towards them, it will lead to more focused learning outcomes and better results of the teachers' efforts in the classroom. Students will be able to avoid these mistakes under the proper guidance of teachers. Common mistakes, therefore, have been enlisted for the benefits of teaching fraternity and students' community.

### **SOME COMMON ERRORS COMMITTED BY STUDENTS IN CLASS XII BOARD -**

1. Differences b/w the items are not written on the prescribed basis.
2. Instead of preparing journal entries, accounts are prepared. For example, Revaluation a/c is prepared instead of writing journal entries.
4. Correct formats of common-size statements and comparative statements are not written.
5. Narrations and Date columns are not written in Journal Entries.
6. Working Notes are not clearly shown.
7. Questions are not read properly and mistakes are committed. For Example, in company Accounts question journal entries were to be written with calls-in-arrears a/c and calls-in-advance a/cs, but many students did not write in spite of giving the right answers.
8. Part B of financial statement analysis and Computerized Accounting are intermixed instead of trying only one part.
9. Instead of writing "Share application & allotment" in company accounts questions, they write only "share Application A/c".
10. They are often confused with the values of share capital and No. of Shares issued in company accounts and use them inter-changeably.
11. They do not write formulae in ratio analysis questions and do not elaborate them properly.
12. Heads, Sub-heads of various items of Balance Sheet are inter-mixed and not written in proper sequence.



## **BUSINESS STUDIES**

1. Concepts like "Decentralisation", "Delegation" etc. are not clearly defined in answers.
2. They fail to differentiate between similar concepts like types of "Organisation" & "Organisational Structure".
3. Correct sequences of various Elements of Management are not written like in "Staffing Process", "Controlling Process."
4. Questions are not read properly and answered. For example, instead of writing "Importance of training to employees", they write "Important of training to employers."
5. Length of answers is not kept as per the marks allotted to them.
6. Parts of a question are not done together.

The above can be discussed by teachers and students should be taught to avoid such errors to score better. Tell them to read the questions properly, then organise their answers. Give them sample Papers for practice.

## WEBLINKS

### Resources available at CBSE website

1. [http://cbseacademic.nic.in/web\\_material/Curriculum19/Main-SeniorSecondary/18\\_Business\\_Studies.pdf](http://cbseacademic.nic.in/web_material/Curriculum19/Main-SeniorSecondary/18_Business_Studies.pdf) - **For Business Studies Syllabus**
2. [http://cbseacademic.nic.in/web\\_material/Curriculum19/Main-SeniorSecondary/19\\_Accountancy.pdf](http://cbseacademic.nic.in/web_material/Curriculum19/Main-SeniorSecondary/19_Accountancy.pdf) - **For Accountancy Syllabus**
3. <http://cbse.nic.in/newsite/examination.html> - **For marking scheme and Question Papers CBSE**
4. <https://youtu.be/NW6sQuQH2fg> - **For IPR**

# **APPENDIX**

# FORMAT OF SCHEDULE A REGARDING ONE PERSON COMPANY (OPC)

## "SCHEDULE I"

(See sections 4 and 5)

### Table A

#### MEMORANDUM OF ASSOCIATION OF A COMPANY LIMITED BY SHARES

- 1st The name of the company is "..... Limited/Private Limited".
- 2nd The registered office of the company will be situated in the State of .....
- 3rd (a) The objects to be pursued by the company on its incorporation are:-  
.....  
.....  
(b) Matters which are necessary for furtherance of the objects specified in clause 3 (a) are:-  
.....  
.....
- 4th The liability of the member(s) is limited and this liability is limited to the amount unpaid, if any, on the shares held by them.
- 5th The share capital of the company is ..... rupees, divided into ..... shares of ..... rupees each.
- 6th We, the several persons, whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the company set against our respective names:-

Names, addresses, descriptions and occupations of subscribers	No. of shares taken by each	Signature of subscriber	Signature, names addresses, descriptions and occupations of witnesses
A.B. of ..... Merchant	.....		Signed before me: Signature .....
C.D. of ..... Merchant	.....		Signed before me: Signature .....
E.F. of ..... Merchant	.....		Signed before me: Signature .....
G.H. of ..... Merchant	.....		Signed before me: Signature .....
I.J. of ..... Merchant	.....		Signed before me: Signature .....
K.L. of ..... Merchant	.....		Signed before me: Signature .....
M.N. of ..... Merchant	.....		Signed before me: Signature .....
Total shares taken:			

7th I, whose name and address is given below, am desirous of forming a company in pursuance of this memorandum of association and agree to take all the shares in the capital of the company (Applicable in case of one person company):-

---

Names, addresses, Signature of subscribed Signature, name, address,  
occupations of description and occupation  
Subscribers of witness

---

8th Shri/Smt ..... son/daughter of .....  
resident of ..... aged ..... years  
shall be the nominee in the event of death of the sole member (Applicable in case of one person company)

Dated, ..... The day of .....

# Business Studies

## Sample paper

Time allowed-3 Hours

M.M.-80

### General instructions:

- 1) Answers to questions carrying 1 mark may be from one word to one sentence.
- 2) Answers to questions carrying 3 marks may be from 60-75 words.
- 3) Answers to questions carrying 1 mark may be from 100-150 words.
- 4) Answers to questions carrying 1 mark may be from about 200 words.
- 5) Attempt all parts of a question together.

**Que 1.** Define Delegation of Authority.

1

**Que2.** DRL Ltd. Is a leading company in automobile industry. To increase its productivity, management of the company decides to install robotic arms and artificial intelligent system in its production line. For this purpose, company signed an agreement with a German company so that required technology can be brought in India. It will open the huge growth opportunity for the company as electric vehicles demand is set to rise.

Identify the factor affecting the fixed capital requirements of the company

1

**Que3** These are the general statements which are decided for the guidance of employees while taking decision. Identify it.

1

**Que4.** Alshine Ltd wants to raise additional equity share capital of 50 crores for capturing the growth opportunities available in Indian market. So it invites its existing shareholders for the additional funds requirements.

Identify the method of raising capital in the above case.

1

**Que5** A renowned company's officials are issued notices and an inquiry is ordered by SEBI against the charges of insider's trading and sharing results and other price-sensitive information on Whatsapp groups prior to its official declaration. State the function that SEBI performed in the above case.

1

**Que6.** Rajeev purchased a petrol car for the 8 Lakhs rupees from a renowned automobile company. Later he found its gear system is not working as per the norms prescribed in the advisement. Despite many complaints, company did not listen.



Suggest to him the appropriate authority where he could file a complaint under the Consumer Protection Act, 1986.

1

**Que7.** How a good brand name of a product helps in increasing its market share and profitability.

1

**Que8.** A renowned FMCG company decided to give 200gm bottle of sauce with its newly launched washing powder for a limited period. Identify the technique of sales promotion.

1

**Que 9.** Differentiate between Functional structure and Divisional structure on the bases of

- i) Specialization,
- ii) Cost and
- iii) Coordination

3

**Que10** Identify the methods of training:

- A) ANM Ltd. is providing training to its employees on dummy models of highly sophisticated machines of the factory under the supervision of expert instructors.
- B) Rishab is pursuing his MBBS course and he is sent to NNM hospital for 4 months to gain practical knowledge and observing senior doctors.
- C) Qas has been newly appointed in MPA Ltd. He gets property welcome and basic information about the office is provided to him so that he can quickly settle down and start working in the office.

3

**Que11.** Avinash was working in a factory on permanent basis for the last 5 years. It was difficult for him as he had to work for 8 hours daily sitting in a small compartment. He had been very passionate about dancing and knew a number of dancing style. He participated in a dance show on TV and won the first prize. A very reputed company of event management offered him a permanent post with a good package and also made him the head of stage management team.

- 1) Identify the needs of Avinash that were being satisfied by the factory job.
- 2) Explain 2 needs that are satisfied with the offer of Event Management Company.

3

**Que12.** "Auto axies Ltd" is a debt free, 100 crores turnover company manufacturing high quality axles for all types of vehicles. Recently, Govt. announced policy for promotion of electric vehicles. It presents a huge growth opportunity for the company with 45% expected rate of return on investment. Now it requires additional funds. Management of the company decides to raise it through debentures bearing 10%p.a. fixed interest for the benefit of equity shareholders.

State and explain the concept being used in taking decision to raise additional capital through debenture. Also state 2 conditions for effective use of the above concept. 3

**Que13.** Viney purchased a juicer of renowned company, found it defective as he got electric shock while using it. Which right of consumer is violated in this case. Write any 4 remedies available to the consumer under Consumer Protection Act, 1986. 3

**Que14.** TLM Ltd. is a leading company in manufacturing LED TV panels. There is a well defined system of jobs and clear guidelines regarding authority, responsibility and accountability in the company. Besides this, Management allows and provides opportunities to the employees to interact and devise ways to adapt changing business environment through the network of social relationships based on personal attitudes and alike. It leads to a huge motivation to the workforce and recognition of creative talent.

- i) Identify the organizational pattern used by management to motivate its employees.
- ii) Give any three benefits of such pattern. 4

**Que15.** Mr. Neeraj, a successful businessman is planning to set up a new plant in a rural backward area of Tamil nadu to give a boost to the cottage industries and providing employment to local youth. For getting feasibility of the project, he approached RLB consultants to do the ground work. He is being charged a handsome amount and report is to be given after 3 months.

- a) State any 2 limitations of planning in the above case.
- b) What two values are being communicated by Mr. Neeraj? 4

**Que16.** "Controlling ensures that activities in an organization are performed as per the plan prepared in advance."

The first step in the controlling process is establishing the standards of performance. Explain the next four steps of the process of controlling. 4

**Que17.** Ms. Radhika is appointed as H.R. Manager in a company. The company offers its employees one of the best pay packages, hire women in all levels and also run the drive to plant 400 plants every year in the city. But despite all this, the company is facing high employees' turnover. The Board of directors invited suggestions from her for retaining the talented employees and reducing employees' turnover. She investigated and found that company's working atmosphere rigid and very formal. She suggested that a feeling of ownership among employees should be created and various employees' recognition programs should be started along with strengthening the informal groups within the organization. They should be provided more freedom in decision making. It will increase their self confidence.

- i) Identify the type of incentives suggested by Ms. Radhika
- ii) State needs of the employees will be satisfied through the incentives identified in part (a).
- iii) State any 2 values that company is trying to communicate to the society 4

**Que18.** State the regulatory functions of the Securities and Exchange Board of India (SEBI) 4

**Que19.** What is meant by coordination? State its three features. 4

**Que20.** Rohtash purchased a microwave from a local market at 20% discount and without taking the bill. Microwave worked well for a few days but it got off permanently after smoke came out from its back panel. He approached the shopkeeper who denied any kind of remedy to him. Rohtash told shopkeeper that he would approach consumer court and will teach him a lesson.

- a) State the 2 responsibilities which Rohtash has not fulfilled as an aware consumer
- b) Explain any three rights briefly which Rohtash could have exercised had he fulfilled his responsibility identified in part (a). 5

**Que21.** On 8<sup>th</sup> November, 2016, demonetization of 500 and 1000 rupees notes was introduced by the Union Govt. It resulted in huge shortage of cash and businesses based on cash transactions got affected for a while. Govt promoted cashless transactions and launched BHIM application through which money can be transferred instantly. But various political parties opposed the move and protested to rollback demonetization.

- i) Identify the three dimensions of business environment described in the above Para. by quoting the relevant lines
- ii) Write down one positive and one negative impact of demonetization on Indian economy 5

**Que22.** Four years ago, Tanvi completed her fashion designing course and started taking interest in her parental business of garment manufacturing specially Silk Sari, which had unique texture and design. She suggested to her father for retail business through chain stores and online marketing. He gave full responsibility of the new business to Tanvi. First of all, she surveyed the market and obtained consumer choices and tastes especially regarding silk sari. She concluded that Indian ladies like to wear silk sarees but unsure about the originality and quality as it is largely an unorganized sector. She decided to adopt brand name "Origin" for her garments and mark the corners of garments with a unique design to protect its authenticity. She also decided to sell garments only through chain stores and online to ensure the quality. She also

pasted the unique labels on each product giving full information about product. Besides it, she kept a competitive price of her product. At present, she is a successful business woman.

With reference to the above paragraph, Identify the concept and explain four functions of it by quoting the lines. 5

Que 23. Explain briefly any four factors affecting the working capital requirements of an organization. 6

Que24. Suresh is the owner of a steel manufacturing plant where workers from various parts of the country were employed. They were getting raw material from various sources of different quality, using tools of different types for same set of work. A very complicated classification of products was in use resulting very slow production and inflated cost. Moreover, workers were paid according to the time spend in the factory. As a result, company margins were decreasing on yearly basis.

Suresh appointed a talent and experience person, Akash sharma, and asked him for the remedial steps.

Identify and explain the techniques of scientific management that are to be followed by the production manager in this case. 6

**Que25.** Pital Industries Ltd. approached a well established university to increase the skills of its selected group of employees and preparing them for higher posts. It will result in increasing the morale and job performance of the employees.

- i) Name the steps of staffing process regarding which company decided to take action.
- ii) State the benefits of actions to the Pital industries. 6

## Hints of Business Studies Sample Paper (Class XII)

- Ans.1 Transfer of authority from superior to subordinate, to make them perform the assigned work.
- Ans.2 Choice of Technique, Growth Prospects, Technological Upgradation.
- Ans.3 Policy
- Ans.4 Right Issue.
- Ans.5 Protective Functions – Prohibiting Insider Trading.
- Ans.6 District Forum
- Ans.7 Create Product Differentiation  
Identification of Product  
Fixing Differential Price
- Ans.8 Product Combination
- Ans.9

	Functional Structure	Divisional Structure
Basis		
Specialisation	Job Oriented	Product Oriented
Cost	Less Costly	Highly Costly
Co-ordination	Difficult	Easy

- Ans.10 (i) Vestibule Training  
(ii) Internship Training  
(iii) Introduction Training
- Ans.11 (i) Basic Needs and Security Needs.  
(ii) Social Needs and Self Esteem Needs.
- Ans.12 Trading on Equity concept used.  
Conditions – (a) regular earnings to interest.  
(b) Return on Investment > Rate of Interest.

Ans. 13 Remedies available

- (a) Removal of Defects
- (b) Replacement of Goods
- (c) Award of Compensation
- (d) Refund of Price

Ans. 14 (A) Information Organisation (B) Benefits of Informal Organisation

- (i) Quick Spread of Information
- (ii) Psychological Satisfaction to employers.
- (iii) Decrease in monetary & Decision making time

Ans. 15 (a) Limitations of Planning

- (i) Brings Rigidity
- (ii) Decrease Creativity
- (iii) Not work in dynamic environment.

(b) Values

- (i) Concern for backward area.
- (ii) Welfare of the people (Local)
- (iii) Concern for society by providing employment.

Ans. 16 Measurement of Actual Performance.

Comparing actual performance & standards.

Analysing Deviations

Taking corrective Actions.

Ans. 17 (i) Non-financial incentives.

(ii) Social needs & esteem needs.

(iv) Empowerment of women & concern for environment.

Ans. 18 Regulatory Functions of SEBI

- (i) Regulate business in securities market by enforcing its rules and regulations.



- (ii) Regulate substantial acquisition of shares & takeover and mergers of the companies.
- (iii) Registers and regulates the working of collective investments schemes like mutual funds etc.
- (iv) Registers and regulates the working of stock brokers, sub-brokers, merchant bankers, underwriters & inter mediums

Ans.19    Meaning of Coordination

The achievement of orderly group efforts and unity of actions in the pursuit of common purpose/goals of the organisation.

Features of Coordination.

- (i) Integrates group efforts.
- (ii) A continuous process.
- (iii) Leads to unity of actions.

Ans.20    (a) Ask for the Bill.

Buy standard products.

(b) Right to safety.

Right to be Heard.

Right to Seek Redressal.

Ans.21    (i) Economic Environment – "It resulted ..... affected for a while."

Technological Environment – "Govt promoted ..... instantly."

Political Environment – "But various ..... demonetisation"

(ii) Positive Input – Promoted cashless transactions.

Negative Input – Sales of businesses decreased for some time.

Ans.22    Marketing

(i) Gathering and Analysing market information – "She surveyed ..... sector."

(ii) Branding – "She decided to adopt brand name "Origin".

- (iii) Packaging and labeling – "She also pasted ..... product."
- (iv) Pricing – "Besides it, She ..... her product."

- Ans.23
- (i) Nature of the Business.
  - (ii) Scale of Operations.
  - (iii) Business Cycle.
  - (v) Seasonal Factors.

- Ans.24
- (a) Standardisation of work
  - (b) Simplification
  - (c) Differential Wage System / Piece Rate

- Ans.25
- (a) Step of Staffing Process taken by the company –  
Training and Development
  - (b) Benefits
    - (i) Improve the performance of employees.
    - (ii) Less requirement of supervision.
    - (iii) Job satisfaction & improvement in Adaptability.
    - (iv) Reduced labour turnover & Absenteeism.
    - (v) Better use of material and equipments.

**SAMPLE PAPER  
CLASS – XII  
ACCOUNTANCY (055)**

**Time: 3 Hours**

**Max Marks: 80**

**PART – A**

**(ACCOUNTING FOR PARTNERSHIP FIRMS, COMPANY ACCOUNTS AND NON  
PROFIT ORGANISATION)**

Q 1 Name two reserves/funds that are not distributed at the time of reconstitution of a partnership firm. (1)

Q 2 S and D were partners in a firm sharing profits and losses in the ratio 3:1. M admitted as the new partner for  $\frac{1}{6}$ th share in the profits. M acquired  $\frac{2}{5}$ th of his share from S. How much share did M acquire from D. (1)

Q 3 Distinguish between dissolution of partnership and dissolution of partnership firm on the basis of economic relationship. (1)

Q 4 Jamuna, Ganga and Krishna are partners in a firm. Krishna retired from the firm. The Krishna's capital after making all the adjustments was Rs. 1,20,000. Jamuna & Ganga paid him Rs. 1,80,000 in full settlement to Krishna. Identify the item for which Ganga & Jamuna paid Rs. 60,000 more to Krishna? (1)

Q 5 If a share of Rs 10 issued at a premium of Rs. 2 on which Rs. 6 (including premium) has been paid, is forfeited. At what minimum price can it be reissued? (1)

Q 6 Why Depreciation is not shown in Receipt and Payment account? (1)

Q 7 From the following information, find out the amount of subscription to be included in the Income and Expenditure account for the year ended 31 march 2018. Subscription were received during the year 2017-18 as:

For the year 2016-17	Rs. 4000
For the year 2017-18	Rs. 60000
For the year 2018-19	Rs. 6000

Subscription outstanding as at 31<sup>st</sup> march 2017 were Rs. 7000 out of which Rs. 1000 were considered to be irrecoverable. On the same date, subscription received in

advance for 2017-18 were Rs 4000 Total Subscription outstanding as on 31 march 2018 amounted to Rs. 12000. (3)

Q.8 Leena Ltd. had a balance of Rs. 60,00,000 in its surplus i.e. Balance in Statement of Profit and loss account. Instead of declaring a dividend, it decided to redeem its Rs. 50,00,000, 8% debentures at a premium of 10% out of profit on 31<sup>st</sup> march 2018. The company invested the required amount in fixed deposit in a bank on 30<sup>th</sup> April 2015 earning interest @ 8% p.a. Tax was deducted on interest earned @ 10% by the bank. Pass the necessary journal entries in the books of the company for the redemption of debentures. (3)

Q.9 Axis Ltd. has an Authorised Capital of Rs. 20,00,000 divided into Equity Shares of Rs 10 each. The company invited applications for 1,00,000 shares. Applications for 95,000 shares were received. All calls were made and all amounts were duly received except the final call of Rs.4 per share on 2,000 shares. 1,000 of the shares on which the final call was not received were forfeited. Show how the Share Capital will appear in the Balance Sheet of the company as per Schedule III Part I of the Companies Act 2013. Also prepare Notes to Accounts for the same. (3)

Q.10 A business has earned average profits of Rs. 1,00,000 during the last two years and normal rate of return in similar business is 10%. If goodwill of the firm is valued at Rs. 1,20,000 at 3 years purchase of super profits of last two years, find out capital employed by the firm. (3)

Q.11 Following is the Balance Sheet of Rohan, Sohan and Mohan as on 31<sup>st</sup> March, 2018

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Machinery	1,16,000
Rohan	1,50,000	Stock	64,000
Sohan	80,000	Debtors	73,000
Mohan	70,000	Bank	78,000
Sundry Creditors	25,000	Goodwill	30,000
Workmen's Compensation Reserve	36,000		
	3,61,000		3,61,000

Sohan died on 30<sup>th</sup> June 2018. Under the terms of the deed the executor of the deceased partner was entitled to the following:

- Amount standing to the credit of the Partner's Capital Account.
- Interest on Capital at 12% p.a.
- Share of goodwill on the basis of twice the average of past three year's profits.

- (iv) The deceased partner will be entitled to his share of profit up to the date of death calculated on the basis of previous year's profit.
- (v) There was a claim on Workmen's Compensation of Rs. 18,000
- (vi) Share of profit from the closing of the last financial year to the date of death based on last year's profits.
- Profit for the last three years were:
- 2015-2016 Rs. 85,000.
- 2016-2017 Rs. 92,000.
- 2017-2018 Rs. 93,000.
- Prepare Sohan's Capital A/c to be rendered to his Executor. (4)

Q.12 Complete the missing amount in the following accounts.-

Profit & Loss Appropriation A/c

Dr. for the year ending 31<sup>st</sup> March 2017

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Salary to B	6,000	By Net Profit	1,20,000
To Interest on Capital(10%p.a.)			
A's Current A/c			
B's Current A/c	.....(a)....		
To Commission to A	.....(b)....		
To Profit Transferred to:	.....(c)....		
A's Current A/c			
...(d)....			
B's Current A/c			
...(e)....			
	.....(f)....		
	1,20,000		1,20,000

Dr. Partner's Capital A/c

Cr.

Particulars	A	B	Particulars	A	B
To Balance c/d	3,40,000	2,80,000	By Balance c/d	3,00,000	2,00,000
			By Cash A/c	40,000	80,000
			(Additional Capital on 1 <sup>st</sup> Jan. 2017)		
	3,40,000	2,80,000		3,40,000	2,80,000

Dr.		Partner's Current A/c		Cr	
Particulars	A	B	Particulars	A	B
To Balance c/d	... (L)...	... (m)...	By Balance b/d	7,000	5,000
			By Salary A/c		... (g).....
			By Interest on Capital	(h)	(i)
			By Commission A/c	5,000	
			By Profit & Loss		
			Appropriation A/c	(j)	(k)

(4)

Q.13- Given below the Receipt and Payment account of Gudley club for the year ended 31<sup>st</sup> march 2016.

**Receipt and Payment Account**  
**For the year ended 31<sup>st</sup> march 2016**

Receipts	Rs	Payments	Rs.
To Balance b/d	10250	By Salaries	6000
To subscription		By Expenses	750
2014-15 400		By Drama expenses	4500
2015-16 20500		By newspaper	1500
2016-17 600	21500	By Municipal Taxes	400
To Donation	5400	By Charity	3500
To Proceed from Drama		By Investment	20000
tickets	9500	By Electricity charges	1450
To Sale of waste paper	450	By Balance c/d	9000
Total	47100		47100

Prepare clubs Income and Expenditure account for the year ended 31<sup>st</sup> march 2016 and Balance Sheet as at that date after taking the following information into account:

- 1) There are 500 members, each paying annual subscription of Rs 50, Rs. 500 are still in arrears for the year 2014-15
- 2) Municipal taxes amounting to Rs. 400 per year is paid upto 30<sup>th</sup> June and Rs. 500 are outstanding of salaries.
- 3) Building stand in the books at Rs. 50000.
- 4) 0% interest has accrued on investments for five months.

(6)

Q.14 Pass the Journal Entries for the following transactions on the Dissolution of the firm of X & Y after the various assets (other than cash) & outside Liabilities have been transferred to Realization A/c:-



- (a) The firm had borrowed Rs. 50,000 from partner Y and he took over investment valued at Rs. 60,000 in full settlement of his loan
- (b) A B/R of Rs. 50,000 discounted from the bank is dishonored as drawee became insolvent & 40% is received from him
- (c) 500 shares of a company acquired at a cost of Rs. 10,000 had been written off from the books. These are now valued at 15 per share & were divided between the partners in 2:3
- (d) A creditor of Rs. 65,000 accepted stock of Rs. 60,000 in full settlement of his claim.
- (e) Realization expenses amounted to Rs. 1,800 were paid by 'X'
- (f) Firm had a loss of Rs. 7,000 on dissolution.

(6)

**Q.15** Pawan, Samyra and Karan are partners in a firm sharing profits in the ratio 2:2:1. Following adjustments of revaluation of assets and liabilities and goodwill is agreed upon Karan's retirement:

- (a) A provision of Rs. 6,000 was to be made for an outstanding bill for repairs.
- (b) To write off Bad Debts amounting to Rs. 5,000. In the books of accounts, Debtors appear at Rs. 60,000 and Provision for Doubtful debts at Rs. 2,000.
- (c) Stock of Rs 60000 was revalued at 95% of book value.
- (d) Investment of Rs. 100000 was increased by Rs 80000.
- (e) A Computer appearing in the books at Rs. 53,500 is found to be overvalued by 7%
- (f) Goodwill of the firm is valued at Rs. 60,000

Pass the necessary journal entries for the above adjustments.

(6)

**Q.16** Rohil Ltd. invited applications for 30,000 equity shares of Rs. 100 each issued at a premium of Rs. 20 per share. The amount were payable as follows:

- On Application Rs. 40. (including Rs. 10 as premium)
- On Allotment Rs. 40 per share. (including Rs. 10 as premium)
- On First call Rs. 20.
- On Second and Final call Rs. 20

Applications for 40,000 shares were received and pro-rata allotment was made on the applications for 35,000 shares. Excess application money is to be utilized towards allotment.

Rohan to whom 600 shares were allotted failed to pay the allotment money and his shares were forfeited after allotment.

Aman who applied for 1,050 shares failed to pay the first call and his shares were forfeited after the first call.

The Second and Final call was not yet made.

Out of the shares forfeited 1,000 shares were reissued as fully paid for Rs. 60 per share which included the whole of Rohan's shares.

Journalise the above transaction.

(8)

Or

- (a) 200 Equity shares of Rs. 100 each issued at a premium of Rs. 10 were forfeited for non-payment of allotment money of Rs. 50 per share (including premium). The First and Final call of Rs. 20 per share was not yet made. The forfeited shares were reissued at Rs. 70 per share as fully paid up. Pass necessary journal entries for forfeiture and reissue.
- (b) Ajay & Co. Limited purchased Land costing Rs. 27,00,000 from Akash Ltd. Ajay & Co. Ltd. paid 30% of the amount by cheque and the balance was paid by issue of Equity shares of Rs. 100 each at a premium of 20%. Pass necessary journal entries for forfeiture and reissue.
- (c) K Ltd. forfeited 500 equity shares of Rs. 100 each for non-payment of first call of Rs. 20 and final call of Rs. 10 per share. State:
- Can these shares be reissued?
  - If yes, state the minimum amount at which these shares can be reissued
  - If these shares were reissued at Rs. 50 per share fully paid-up, what will be the amount of Capital Reserve?

**Q.17** Neha, Anjali and Rina are partners in a firm with ratio as 3:2:1. On 31<sup>st</sup> March 2017, their Balance Sheet was as under: -

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	15,000	Cash in Bank	16,000
General Reserve	9,000	Sundry Debtors	25,000
Capital A/c		Less Provision	(1300)
Neha	70,000	Stock	14,300
Anjali	70,000	Plant and Machinery	60,000
Rina	61,000	Land & Building	1,20,000
	2,34,000		2,34,000

Neha retires on 31<sup>st</sup> March 2017, subject to the following adjustments:-

- Land & Building are to be reduced by 10%
- Goodwill is to be valued at Rs. 54,000.
- Provision for Doubtful Debts is to be raised to 10% of the debtors, the excess provision being created from General Reserve. The balance of General Reserve to be distributed among the partners.
- Creditors of Rs. 3,000 were paid by Neha for which she is not reimbursed.
- The continuing partners to share profits and losses in future in the ratio of 5:4

(f) Neha to be paid Rs. 5,400 on retirement and the remaining amount in two equal annual instalments together with interest @ 10% per annum on the outstanding balance. The first instalment to be paid on 31<sup>st</sup> March 2018.

You are required to prepare :-

- (i) Revaluation A/c
- (ii) Partner's Capital A/c
- (iii) Neha's Loan A/c till it is finally paid.

(8)

OR

U, V and W are partners in a firm sharing profits in the ratio of 4:3:2. On 1<sup>st</sup> April 2017, their Balance Sheet was as follows :-

Liabilities	Rs	Assets	Rs
Sundry Creditors	16,700	Cash at Bank	14,000
General Reserve	4,500	Sundry Debtors	15,000
Workmen's Compensation Reserve	9,000	Investment	20,000
Investment Fluctuation Reserve		Plant & Machinery	14,000
Provision for Bad Debts	11,000	Land & Building	70,000
Capital A/c	1,800		
U                      40,000			
V                      30,000			
W                      20,000			
	90,000		
	<u>1,33,000</u>		<u>1,33,000</u>

On the above date, S was admitted for 1/9<sup>th</sup> share in the profits of the firm on the following terms :-

- (a) S will bring Rs. 10,800 for his capital and Rs. 2700 for his share of goodwill
  - (b) All debtors were considered good
  - (c) The market value of Investment was Rs. 16,200
  - (d) There was a liability of Rs. 3,600 for workmen compensation.
  - (e) The Capitals of the partners shall be proportionate to their profit sharing ratio taking S's capital as base. Excess/Deficiency if any will be transferred to current A/c.
- Prepare Revaluation A/c, Partner's Capital A/c, and Balance Sheet of the new firm.

#### **PART-B**

#### **(ANALYSIS OF FINANCIAL STATEMENTS)**

**Q.18** Under which type of activity will a Financing Company account for cash paid for purchasing shares of another Company. (1)

**Q.19** What will be the net inflow or outflow from investing activities if the Plant and Machinery and Goodwill shows an increase of Rs. 35,000 and Rs. 15,000 respectively from previous year and Dividend received during the year amounted to Rs. 10,000. (1)

**Q.20 (a)** Distinguish between Horizontal Analysis and Vertical Analysis and give an example

**(b)** How are the following items presented in a Company's Balance Sheet.

- (i) Trademark
- (ii) Interest accrued and due on Debentures
- (iii) Call in advance
- (iv) Loose tools

(4)

**Q.21** From the following Statement of profit and loss of the Prakriti Ltd. for the years ended 31<sup>st</sup> March, 2015 and 2016, prepare 'Common size Statement Of Profit & Loss'.

**Statement of Profit & Loss  
for the years ended 31<sup>st</sup> March, 2014 and 2015**

Particulars	2015 (Rs.)	-16	2014 (Rs.)	-15
Revenue from operations	80,00,000		60,00,000	
Expenses:				
(a) Employee benefit expenses were 60% of revenue from operations				
(b) Finance cost	19,00,000		14,00,000	
(c) Other Expenses	4,00,000		3,00,000	
(d) Tax rate	50%		50%	

(4)

**Q.22 (a)** Determine the value of closing stock from the following details: (4)

Sales – Rs 4,00,000

Gross Profit Ratio 10%

Inventory Turnover ratio = 4 times

Closing stock was Rs. 10,000 in excess of opening stock

**(b)** Gross Profit ratio of a company was 25%. Its credit revenue from operations were Rs. 18,00,000 and its cash revenue from operations were 10% of the total revenue from operations. If the indirect expenses of the company were Rs. 50,000 calculate its net profit ratio.

**Q.23** From the following Balance Sheet of Shivalaya Ltd. as at 31<sup>st</sup> March, 2015 and 2016, prepare a Cash Flow statement:-

**Balance Sheet as on 31<sup>st</sup> March, 2016.**

Particulars	Note No.	2016 (Rs.)	2015 (Rs.)uur
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholder's Fund:</b>			
(a) Share Capital	1	4,88,000	4,00,000
(b) Reserves and Surplus	2	1,16,000	(30,000)
<b>2. Non-Current Liabilities:</b>			
(a) Long Term Borrowings	3	2,50,000	2,00,000
<b>3. Current Liabilities:</b>			
(a) Trade Payables		1,10,000	70,000
(b) Short term Provisions	4	16,000	10,000
<b>TOTAL</b>		<b>9,80,000</b>	<b>6,50,000</b>
<b>ASSETS:</b>			
<b>1. Non-Current Assets:</b>			
(a) Tangible Fixed Assets		4,65,000	1,70,000
(b) Non-Current Investments		45,000	40,000
<b>2. Current Assets</b>			
(a) Current Investments		30,000	50,000
(b) Inventory		2,00,000	1,50,000
(c) Trade Receivables		56,000	1,96,000
(d) Cash & Cash Equivalents		1,84,000	44,000
<b>TOTAL</b>		<b>9,80,000</b>	<b>6,50,000</b>

Notes to Accounts:	2016 (Rs.)	2015 (Rs.)
1. Share Capital		
Equity Share capital	4,88,000	4,00,000
2. Reserve & Surplus:		
Samples i.e. Balance in Statement of Profit & Loss	1,16,000	(30,000)
3. Long Term Borrowings:		
15% Debentures	2,50,000	2,00,000
4. Short-term Provision:		
Provision for Tax	16,000	10,000

**Additional Information:-**

(i) Dividend paid during the year Rs. 46,000.

(ii) Tangible Fixed Assets of Rs. 12,000 were sold for Rs. 17,000. Depreciation charged during the year on fixed assets was Rs. 1,20,000.

(iii) Additional debentures amounting to Rs. 50,000 were issued at par on 1<sup>st</sup> October, 2015.

**(6)**

## HINTS AND ANSWER

Ans.1 (a) Employee Provident fund

(b) Machinery Replacement fund

Ans.2  $1/10^{\text{th}}$  Shares

Ans.3 Dissolution of Partnership – Continue to Exist but in a change form.

Dissolution of partnership firm – Comes to an end.

Ans.4 Goodwill

Ans.5 6 per share

Ans.6 Depreciation is non cash expenses

Ans.7 Rs. 74,000

Ans.9 Authorised Capital – Rs. 20,00,000

Issued Capital – Rs. 9,50,000

Subscribed Capital:

Subscribed of Fully paid capital – Rs. 9,30,000

Subscribed but not fully paid capital – Rs. 12,000

Ans.10 Capital Employed – Rs. 14,00,000

Ans.11 Sohan Executors A/c – Rs. 1,46,150

Ans.12	(a) Rs. 31,000	(b) Rs. 22,000	(c) Rs. 5,000
	(d) Rs. 28,000	(e) Rs. 28,000	(f) Rs. 56,000
	(g) Rs. 6,000	(h) Rs. 31,000	(i) Rs. 22,000
	(j) Rs. 28,000	(k) Rs. 28,000	(l) Rs. 71,000
	(m) Rs. 61,000		

Ans.13 Capital Fund – Rs. 61,250

(1<sup>st</sup> April, 2015)

Surplus – Rs. 22,250

Balance Sheet Total – Rs. 84,600

Ans.16 I - Capital Reserve – Rs. 26,000

OR

(a) Capital Reserve – Rs. 20,000



- (c) (i) Yes
- (ii) Rs. 30
- (iii) Rs. 10,000

Ans.17 I – Revaluation loss – 15,000  
 Neha's loan – Rs. 1,10,000  
 Anjali Capital – Rs. 55,600  
 Rina Capital – Rs. 44,800

OR

II – Revaluation Profit – Rs. 1800  
 Cash to be paid U- Rs. 11,200  
 V- Rs. 8400  
 W- Rs. 5600  
 Balance sheet total- Rs. 1,17,500

### PART – B

Ans.18 Operating Activity

Ans.19 Outflow from Investing Activity – Rs. 40,000

Ans.20 (b)

- (i) Trademark – Non Current Asset – Fixed Asset – Intangible Asset
- (ii) Interest accrued and due on debentures  
 – Current Liabilities – Other Current Liabilities
- (ii) Call in Advance – Current Liabilities – toerh current liabilities loose tools
- (iii) Current Asset – Inventories

Ans.22 (a) Closing Stock – Rs. 95,000

(b) Net profit Ratio – 22.5%

Ans.23 Cash flow from operating Activities Rs. 4,96,750  
 Cash flow from investing Activities Rs. (4,15,000)  
 Cash Flow from financing Activities Rs. 58,250

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## 19. ACCOUNTANCY (Code No. 055)

### Rationale

The course in accountancy is introduced at plus two stage of senior second of school education, as the formal commerce education is provided after ten years of schooling. With the fast changing economic scenario, accounting as a source of financial information has carved out a place for itself at the senior secondary stage. Its syllabus content provide students a firm foundation in basic accounting concepts and methodology and also acquaint them with the changes taking place in the preparation and presentation of financial statements in accordance to the applicable accounting standards and the Companies Act 2013.

The course in accounting put emphasis on developing basic understanding about accounting as an information system. The emphasis in class XI is placed on basic concepts and process of accounting leading to the preparation of accounts for a sole proprietorship firm. The students are also familiarized with basic calculations of Goods and Services Tax (GST) in recording the business transactions.

The increased role of ICT in all walks of life cannot be overemphasized and is becoming an integral part of business operations. The learners of accounting are introduced to Computerized Accounting System at class XI and XII. Computerized Accounting System is a compulsory component which is to be studied by all students of commerce in class XI; whereas in class XII it is offered as an optional subject to Company Accounts and Analysis of Financial Statements. This course is developed to impart skills for designing need based accounting database for maintaining book of accounts.

The complete course of Accountancy at the senior secondary stage introduces the learners to the world of business and emphasize on strengthening the fundamentals of the subject.

### Objectives:

1. To familiarize students with new and emerging areas in the preparation and presentation of financial statements.
2. To acquaint students with basic accounting concepts and accounting standards.
3. To develop the skills of designing need based accounting database.
4. To appreciate the role of ICT in business operations.
5. To develop an understanding about recording of business transactions and preparation of financial statements.
6. To enable students with accounting for Not-for-Profit organizations, accounting for Partnership Firms and company accounts.

**Accountancy (Code No.055)****Course Structure****Class-XI (2018-19)****One Paper****Theory: 90 Marks****3 Hours**

Units	Periods	Marks
<b>Part A: Financial Accounting-I</b>		
Unit-1: Theoretical Framework	25	15
Unit-2: Accounting Process	105	40
	130	55
<b>Part B: Financial Accounting-II</b>		
Unit-3: Financial Statements of Sole Proprietorship from Complete and Incomplete Records	60	25
Unit-4: Computers in Accounting	20	10
	80	35
<b>Part C: Project Work</b>	30	10

**SYLLABUS: CLASS-XI ACCOUNTANCY****PART A: FINANCIAL ACCOUNTING - I****55 Marks****Unit 1: Theoretical Frame Work****25 Periods**

Units/Topics	Learning Outcomes
<b>Introduction to Accounting</b> <b>11 Periods</b> <ul style="list-style-type: none"> <li>Accounting- concept, objectives, advantages and limitations, types of accounting information, users of accounting information and their needs. Qualitative Characteristics of Accounting Information, Role of Accounting In Business.</li> <li>Basic Accounting Terms- Business Transaction, Capital, Drawings, Liabilities (Non Current and Current), Assets (Non Current, Current), Fixed assets (Tangible and Intangible), Expenditure (Capital and Revenue), Expense, Income, Profit, Gain, Loss, Purchase, Sales, Goods, Stock, Debtor, Creditor, Voucher, Discount (Trade discount and Cash Discount)</li> </ul>	<b>After going through this Unit, the students will be able to:</b> <ul style="list-style-type: none"> <li>describe the meaning, significance, objectives, advantages and limitations of accounting in the modern economic environment with varied types of business and non-business economic entities.</li> <li>identify / recognise the individual(s) and entities that use accounting information for serving their needs of decision making</li> <li>explain the various terms used in accounting and differentiate between different related terms like current and non-current, capital and revenue.</li> </ul>
<b>Theory Base of Accounting</b> <b>14 Periods</b> <ul style="list-style-type: none"> <li>Fundamental accounting assumptions: GAAP: Concept</li> <li>Business Entity, Money Measurement, Going Concern, Accounting Period, Cost Concept, Dual Aspect, Revenue Recognition, Matching, Full Disclosure, Consistency, Conservatism, Materiality and Objectivity</li> <li>System of Accounting: Basis of Accounting: cash basis and accrual basis</li> <li>Accounting Standards: Need, benefits, limitations, applicability, IFRS- Need</li> </ul>	<ul style="list-style-type: none"> <li>give examples of terms like business transaction, liabilities, assets, expenditure and purchases.</li> <li>explain that sales/purchases include both cash and credit sales/purchases relating to the accounting year.</li> <li>differentiate among income, profits and gains.</li> <li>state the meaning of fundamental accounting</li> </ul>

<ul style="list-style-type: none"> <li>• Goods and Services Tax (GST): Characteristics and Objective.</li> </ul>	<p>assumptions and their relevance in accounting.</p> <ul style="list-style-type: none"> <li>• describe the meaning of accounting assumptions and the situation in which an assumption is applied during the accounting process.</li> <li>• explain the meaning and objectives of accounting standards.             <ul style="list-style-type: none"> <li>• appreciate that various accounting standards developed nationally and globally are in practice for bringing parity in the accounting treatment of different items.</li> </ul> </li> <li>• acknowledge the fact that recording of accounting transactions follows double entry system.</li> <li>• explain the bases of recording accounting transaction and to appreciate that accrual basis is a better basis for depicting the correct financial position of an enterprise.</li> <li>• Understand the need of IFRS.</li> <li>• Explain the meaning, objective and characteristic of GST.</li> </ul>
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## Unit-2: Accounting Process

105 Periods

Units/Topics	Learning Outcomes
<p><b>Recording of Business Transactions</b> 30 Periods</p> <ul style="list-style-type: none"> <li>• Voucher and Transactions: Source documents and Vouchers, Preparation of Vouchers, Accounting Equation Approach, Meaning and Analysis, Rules of Debit and Credit.</li> <li>• Recording of Transactions: Books of Original Entry-             <ul style="list-style-type: none"> <li>• Journal</li> <li>• Special Purpose books:</li> <li>• Cash Book: Simple, cash book with bank column and petty cashbook</li> <li>• Purchases book</li> <li>• Sales book</li> <li>• Purchases return book</li> <li>• Sales return book</li> </ul> </li> </ul> <p><i>Note: Including simple GST calculations</i></p> <ul style="list-style-type: none"> <li>• Ledger: Format, Posting from journal and subsidiary books, Balancing of accounts</li> </ul> <p><b>Bank Reconciliation Statement:</b> 15 Periods</p> <ul style="list-style-type: none"> <li>• Need and preparation, Bank Reconciliation Statement with Adjusted Cash Book.</li> </ul> <p><b>Depreciation, Provisions and Reserves.</b> 20 Periods</p> <ul style="list-style-type: none"> <li>• Depreciation: Concept, Features, Causes, factors</li> <li>• Other similar terms: Depletion and Amortisation</li> </ul>	<p>After going through this Unit, the students will be able to:</p> <ul style="list-style-type: none"> <li>• explain the concept of accounting equation and appreciate that every transaction affects either both the sides of the equation or a positive effect on one item and a negative effect on another item on the same side of accounting equation.</li> <li>• explain the effect of a transaction (increase or decrease) on the assets, liabilities, capital, revenue and expenses.</li> <li>• appreciate that on the basis of source documents, accounting vouchers are prepared for recording transaction in the books of accounts.</li> <li>• develop the understanding of recording of transactions in journal and the skill of calculating GST.</li> <li>• explain the purpose of maintaining a Cash Book and develop the skill of preparing the format of different types of cash books and the method of recording cash transactions in Cash book.</li> </ul>

<ul style="list-style-type: none"> <li>• Methods of Depreciation             <ol style="list-style-type: none"> <li>i. Straight Line Method (SLM)</li> <li>ii. Written Down Value Method (WDV)</li> </ol> </li> </ul> <p><b>Note: Excluding change of method</b></p> <ul style="list-style-type: none"> <li>• Difference between SLM and WDV; Advantages of SLM and WDV</li> <li>• Accounting treatment of depreciation             <ol style="list-style-type: none"> <li>i. Charging to asset account</li> <li>ii. Creating provision for depreciation/accumulated depreciation account</li> <li>iii. Treatment for disposal of asset</li> </ol> </li> <li>• Provisions and Reserves: Difference</li> <li>• Types of Reserves:             <ol style="list-style-type: none"> <li>i. Revenue reserve</li> <li>ii. Capital reserve</li> <li>iii. General reserve</li> <li>iv. Specific reserve</li> <li>v. Secret Reserve</li> </ol> </li> <li>• Difference between capital and revenue reserve</li> </ul> <p><b>Accounting for Bills of Exchange. 20 Periods</b></p> <ul style="list-style-type: none"> <li>• Bill of exchange and Promissory Note: Definition, Specimen, Features, Parties.</li> <li>• Difference between Bill of Exchange and Promissory Note</li> <li>• Terms in Bill of Exchange             <ol style="list-style-type: none"> <li>i. Term of Bill</li> <li>ii. Accommodation bill (concept)</li> <li>iii. Days of Grace</li> <li>iv. Date of maturity</li> <li>v. Discounting of bill</li> <li>vi. Endorsement of bill</li> <li>vii. Bill after due date</li> <li>viii. Negotiation</li> <li>ix. Bill sent for collection</li> <li>x. Dishonour of bill</li> <li>xi. Retirement of bill</li> <li>xii. Renewal of bill</li> </ol> </li> <li>• Accounting Treatment</li> </ul> <p><b>Note: excluding accounting treatment for accommodation bill</b></p> <p><b>Trial balance and Rectification of Errors. 20 Periods</b></p> <ul style="list-style-type: none"> <li>• Trial balance: objectives and preparation (Scope: Trial Balance with balance method only)</li> <li>• Errors: types-errors of omission, commission, principles, and compensating; their effect on Trial Balance.</li> <li>• Detection and rectification of errors; preparation of suspense account.</li> </ul>	<ul style="list-style-type: none"> <li>• describe the method of recording transactions other than cash transactions as per their nature in different subsidiary books</li> <li>• appreciate that at times bank balance as indicated by cash book is different from the bank balance as shown by the pass book / bank statement and to reconcile both the balances, bank reconciliation statement is prepared.</li> <li>• develop understanding of preparing bank reconciliation statement.</li> <li>• appreciate that for ascertaining the position of individual accounts, transactions are posted from subsidiary books and journal proper into the concerned accounts in the ledger and develop the skill of ledger posting.</li> <li>• explain the necessity of providing depreciation and develop the skill of using different methods for computing depreciation.</li> <li>• understand the accounting treatment of providing depreciation directly to the concerned asset account or by creating provision for depreciation account.</li> <li>• appreciate the method of asset disposal through the concerned asset account or by preparing asset disposal account.</li> <li>• appreciate the need for creating reserves and also making provisions for events which may belong to the current year but may happen in next year.</li> <li>• appreciate the difference between reserve and reserve fund.</li> <li>• acquire the knowledge of using bills of exchange and promissory notes for financing business transactions;</li> <li>• understand the meaning and distinctive features of these instruments and develop the skills of their preparation.</li> <li>• state the meaning of different terms used in bills of exchange and their implication in accounting.</li> <li>• explain the method of recording of bill transactions.</li> <li>• state the need and objectives of preparing</li> </ul>
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	<p>trial balance and develop the skill of preparing trial balance.</p> <ul style="list-style-type: none"> <li>• appreciate that errors may be committed during the process of accounting.</li> <li>• understand the meaning of different types of errors and their effect on trial balance.</li> <li>• develop the skill of identification and location of errors and their rectification and preparation of suspense account.</li> </ul>
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## Part B: Financial Accounting - II

35 Marks

### Unit 3: Financial Statements of Sole Proprietorship: From Complete and Incomplete Records

60 Periods

Units/Topics	Learning Outcomes
<p><b>Financial Statements</b></p> <p>Receipts and Expenditure: Revenue receipts and capital receipts. Capital expenditure, Revenue expenditure and deferred expenditure.</p> <p>Objective and Importance.</p> <p>Trading and Profit and Loss Account: Gross Profit, Operating profit and net profit. Preparation.</p> <p>Balance Sheet: need, grouping and marshalling of assets and liabilities. Preparation.</p> <p>Adjustments in preparation of financial statements with respect to closing stock, outstanding expenses, prepaid expenses, accrued income, income received in advance, depreciation, bad debts, provision for doubtful debts, provision for discount on debtors, Abnormal loss, Goods taken for personal use/staff welfare, interest on capital and managers commission.</p> <p>Preparation of Trading and Profit and Loss account and Balance Sheet of a sole proprietorship with adjustments.</p> <p><b>Incomplete Records</b></p> <p>Features, Reasons and Limitations.</p> <p>Ascertainment of profit/loss by statement of affairs method.</p> <p>Difference between Accounts from incomplete records and Statement of Affairs. Preparation of Trading, Profit and Loss account and Balance Sheet.</p>	<p>After going through this Unit, the students will be able to:</p> <ul style="list-style-type: none"> <li>• state the meaning of financial statements the purpose of preparing financial statements.</li> <li>• state the meaning of gross profit, operating profit and net profit and develop the skill of preparing trading and profit and loss account.</li> <li>• explain the need for preparing balance sheet.</li> <li>• understand the technique of grouping and marshalling of assets and liabilities.</li> <li>• appreciate that there may be certain items other than those shown in trial balance which may need adjustments while preparing financial statements.</li> <li>• develop the understanding and skill to do adjustments for items and their presentation in financial statements like depreciation, closing stock, provisions, abnormal loss etc.</li> <li>• develop the skill of preparation of trading and profit and loss account and balance sheet.</li> <li>• state the meaning of incomplete records and their uses and limitations.</li> <li>• develop the understanding and skill of computation of profit / loss using the statement of affairs method.</li> </ul>



Units/Topics	Learning Outcomes
<ul style="list-style-type: none"> <li>• Introduction to computer and accounting information system (AIS): Introduction to computers (elements, capabilities, limitations of computer system)</li> <li>• Introduction to operating software, utility software and application software. Introduction to accounting information system (AIS) as a part of Management Information System.</li> <li>• Automation of accounting process: meaning</li> <li>• Stages in automation: (a) Accounting process in a computerised environment; comparison between manual accounting process and computerised accounting process, (b) Sourcing of accounting software, kinds of software: readymade software; customised software and tailor-made software, generic considerations before sourcing accounting software (c) creation of account groups and hierarchy (d) generation of reports - trial balance, profit and loss account and balance sheet.</li> </ul> <p><b>Scope:</b></p> <p>(i) The scope of the unit is to understand accounting as an information system for the generation of accounting information and preparation of accounting reports.</p> <p>(ii) It is presumed that the working knowledge of any appropriate accounting software will be given to the students to help them learn basic accounting operations on computer.</p>	<p>After going through this Unit, the students will be able to:</p> <ul style="list-style-type: none"> <li>• state the meaning of a computer, describe its components, capabilities and limitations.</li> <li>• state the meaning of accounting information system.</li> <li>• appreciate the need for use of computers in accounting for preparing accounting reports.</li> <li>• develop the understanding of comparing the manual and computerised accounting process and appreciate the advantages and limitations of automation.</li> <li>• understand the different kinds of accounting software.</li> </ul>

**Part C: Project Work (Any One)****10 Marks 30 Periods**

1. Collection of source documents, preparation of vouchers, recording of transactions with the help of vouchers.
2. Preparation of Bank Reconciliation Statement with the given cash book and the pass book with twenty to twenty-five transactions.
3. Comprehensive project of any sole proprietorship business. This may start with journal entries and their ledgering, preparation of Trial balance, Trading and Profit and Loss Account and Balance Sheet. Expenses, incomes and profit (loss), assets and liabilities are to be depicted using pie chart / bar diagram.

**COMPREHENSIVE PROJECT**

It is suggested to undertake this project after completing the unit on preparation of financial statements. The student(s) will be allowed to select any business of their choice or develop the transaction of imaginary business.

The project is to run through the chapters and make the project an interesting process. The amounts should emerge as more realistic and closer to reality.

### 3. Specific Guidelines for Teachers

Give a list of options to the students to select a business form. You can add to the given list:

- |                         |                               |                          |
|-------------------------|-------------------------------|--------------------------|
| 1. A beauty parlour     | 10. Men's wear                | 19. A coffeeshop         |
| 2. Men's saloon         | 11. Ladies wear               | 20. A music shop         |
| 3. A tailoring shop     | 12. Kiddies wear              | 21. A juiceshop          |
| 4. A canteen            | 13. A Saree shop              | 22. A school canteen     |
| 5. A cake shop          | 14. Artificial jewellery shop | 23. An ice cream parlour |
| 6. A confectionery shop | 15. A small restaurant        | 24. A sandwich shop      |
| 7. A chocolate shop     | 16. A sweet shop              | 25. A flower shop        |
| 8. A dry cleaner        | 17. A grocery shop            |                          |
| 9. A stationery shop    | 18. A shoeshop                |                          |

After selection, advise the student(s) to visit a shop in the locality (this will help them to settle on a realistic amounts different items. The student(s) would be able to see the things as they need to invest in furniture, decor, lights, machines, computers etc.

A suggested list of different item is given below,

- |  |   |
|--|---|
| 1. Rent                                      | 19. Wages and Salary                      |
| 2. Advance rent [approximately three months] | 20. Newspaper and magazines               |
| 3. Electricity deposit                       | 21. Petty expenses                        |
| 4. Electricity bill                          | 22. Tea expenses                          |
| 5. Electricity fitting                       | 23. Packaging expenses                    |
| 6. Water bill                                | 24. Transport                             |
| 7. Water connection security deposit         | 25. Delivery cycle or a vehicle purchased |
| 8. Water fittings                            | 26. Registration                          |
| 9. Telephone bill                            | 27. Insurance                             |
| 10. Telephone security deposit               | 28. Auditors fee                          |
| 11. Telephone instrument                     | 29. Repairs & Maintenance                 |
| 12. Furniture                                | 30. Depreciations                         |
| 13. Computers                                | 31. Air conditioners                      |
| 14. Internet connection                      | 32. Fans and lights                       |
| 15. Stationery                               | 33. Interior decorations                  |
| 16. Advertisements                           | 34. Refrigerators                         |
| 17. Glow sign                                | 35. Purchase and sales                    |
| 18. Rates and Taxes                          |   |

At this stage performas of bulk of originality and ledger may be provided to the students and they may be asked to complete the same.

In the next step the students are expected to prepare the trial balance and the financial statements.

### Suggested Question Paper Design Accountancy (Code No. 055) Class XI (2018-19)

Marks 90

Duration: 3 hrs.

S. No.	Typology of Questions	Very Short Answer 1 Mark	Short Answer I 3 Marks	Short Answer II 4 Marks	Long Answer I 6 Marks	Long Answer II 8 Marks	Marks	%
1	<b>Remembering</b> - (Knowledge based simple recall questions, to know specific facts, terms, concepts, principles, or theories, identify, define, or rectify information)	2	2	1	1	-	16	20%
2	<b>Understanding</b> - (Comprehension - to be familiar with meaning and to understand conceptually, interpret, compare, contrast, explain, paraphrase, or interpret information)	-	1	1	2	1	27	30%
3	<b>Application</b> - (Use abstract information in concrete situation, to apply knowledge to new situations; Use given content to interpret a situation, provide an example, or solve a problem)	-	-	2	1	1	22	25%
4	<b>High Order Thinking Skills</b> - (Analysis & Synthesis- Classify, compare, contrast, or differentiate between different pieces of information; Organize and/or integrate unique pieces of information from a variety of sources)	2	2	1	1	-	18	20%
5	<b>Evaluation</b> - (Appraise, judge, and/or justify the value or worth of a decision or outcome, or to predict outcomes based on values)	2	1	-	-	-	5	5%
	<b>TOTAL</b>	6x1=6	6x3=18	5x4=20	5x6=30	2x8=16	90 (24) 100%	100

**Note:** Scheme of options: All questions carrying 8 marks will have internal choice.

**Note:** The Board has introduced Learning Outcomes in the syllabus to motivate students to constantly explore all levels of learning. However these are only indicative. These do not in any way restrict the scope of questions being asked in the examinations. The examination question will be strictly based on the prescribed question paper design and syllabus.

**Accountancy (Code No. 055)**  
**Class-XII (2018-19)**

One Paper

Theory: 80 Marks  
3 Hours

Units		Periods	Marks
<b>Part A</b>	<b>Accounting for Not-for-Profit Organizations, Partnership Firms and Companies</b>		
	Unit 1. Financial Statements of Not-for-Profit Organizations.	25	10
	Unit 2. Accounting for Partnership Firms	90	35
	Unit 3. Accounting for Companies	35	15
		<b>150</b>	<b>60</b>
<b>Part B</b>	<b>Financial Statement Analysis</b>		
	Unit 4. Analysis of Financial Statements	30	12
	Unit 5. Cash Flow Statement	20	8
		<b>50</b>	<b>20</b>
<b>Part C</b>	<b>Project Work</b>	<b>40</b>	<b>20</b>
	Project work will include:		
	Project File	4 Marks	
	Written Test	12 Marks (One Hour)	
	Viva Voce	4 Marks	
<b>OR</b>			
<b>Part B</b>	<b>Computerized Accounting</b>		
	Unit 4. Computerized Accounting	50	20
<b>Part C</b>	<b>Practical Work</b>	<b>26</b>	<b>20</b>
	Practical work will include:		
	Practical File	4 Marks	
	Practical Examination	12 Marks (One Hour)	
	Viva Voce	4 Marks	

**Part A: Accounting for Not-For-Profit Organizations, Partnership Firms and Companies****60 Marks 150 Periods****Unit 1: Financial Statements of Not-for-Profit Organizations****25 Periods**

Units/Topics	Learning Outcomes
<ul style="list-style-type: none"><li>• Not-for-profit organizations: concept.</li><li>• Receipts and Payments Account: features and preparation.</li><li>• Income and Expenditure Account: features, preparation of income and expenditure account and balance sheet from the given receipts and payments account with additional information.</li></ul> <p><b>Scope:</b></p> <p>(i) Adjustments in a question should not exceed 3 or 4 in number and restricted to subscriptions, consumption of consumables and sale of assets/ old material.</p> <p>(ii) Entrance/admission fees and general donations are to be treated as revenue receipts.</p> <p>(iii) Trading Account of incidental activities is not to be prepared.</p>	<p><b>After going through this Unit, the students will be able to:</b></p> <ul style="list-style-type: none"><li>• state the meaning of a Not-for-profit organisation and its distinction from a profit making entity.</li><li>• state the meaning of receipts and payments account, and understanding its features.</li><li>• develop the understanding and skill of preparing receipts and payments account.</li><li>• state the meaning of income and expenditure account and understand its features.</li><li>• develop the understanding and skill of preparing income and expenditure account and balance sheet of a not-for-profit organisation with the help of given receipts and payments account and additional information.</li></ul>

**Unit 2: Accounting for Partnership Firms****90 periods**

Units/Topics	Learning Outcomes
<ul style="list-style-type: none"><li>• Partnership: features, Partnership Deed.</li><li>• Provisions of the Indian Partnership Act 1932 in the absence of partnership deed.</li><li>• Fixed v/s fluctuating capital accounts. Preparation of Profit and Loss Appropriation account- division of profit among partners, guarantee of profits.</li><li>• Past adjustments (relating to interest on capital, interest on drawing, salary and profit).</li></ul>	<p><b>After going through this Unit, the students will be able to:</b></p> <ul style="list-style-type: none"><li>• state the meaning of partnership, partnership firm and partnership deed.</li><li>• describe the characteristic features of partnership and the contents of partnership deed.</li><li>• discuss the significance of provision of Partnership Act in the absence of partnership</li></ul>

<p>sharing ratio.</p> <ul style="list-style-type: none"> <li>Goodwill: nature, factors affecting and methods of valuation – average profit, super profit and capitalisation.</li> </ul> <p><b>Note:</b> Interest on partner's loan is to be treated as a charge against profits.</p> <p><b>Accounting for Partnership firms - Reconstitution and Dissolution.</b></p> <ul style="list-style-type: none"> <li><b>Change in the Profit Sharing Ratio</b> among the existing partners - sacrificing ratio, gaining ratio; accounting for revaluation of assets and re-assessment of liabilities and treatment of reserves and accumulated profits; Preparation of revaluation account and balance sheet.</li> <li><b>Admission of a partner</b> - effect of admission of a partner on change in the profit sharing ratio; treatment of goodwill (as per AS-26); treatment for revaluation of assets and re-assessment of liabilities; treatment of reserves and accumulated profits; adjustment of capital accounts and preparation of balance sheet.</li> <li><b>Retirement and death of a partner:</b> effect of retirement / death of a partner on change in profit sharing ratio; treatment of goodwill (as per AS-26); treatment for revaluation of assets and re-assessment of liabilities; adjustment of accumulated profits and reserves; adjustment of capital accounts and preparation of balance sheet; Preparation of loan account of the retiring partner.</li> <li><b>Calculation of deceased partner's share of profit till the date of death.</b> Preparation of deceased partner's capital account and his executor's account.</li> <li><b>Dissolution of a partnership firm:</b> meaning of dissolution of partnership and partnership firm; types of dissolution of a firm; Settlement of accounts - preparation of realization account, and other related accounts; capital accounts of partners and cash/bank a/c (excluding piecemeal distribution, sale to a company and insolvency of partner(s)).</li> </ul> <p><b>Note:</b></p> <p>(i) The realized value of each asset must be given at the time of dissolution.</p> <p>(ii) In case, the realization expenses are borne by a</p>	<p><b>Good:</b></p> <ul style="list-style-type: none"> <li>differentiate between fixed and fluctuating capital; outline the process and develop the understanding and skill of preparation of Profit and Loss Appropriation Account.</li> <li>develop the understanding and skill of preparation profit and loss appropriation account involving guarantee of profits.</li> <li>develop the understanding and skill of making past adjustments.</li> <li>state the meaning, nature and factors affecting goodwill.</li> <li>develop the understanding and skill of valuation of goodwill using different methods.</li> <li>state the meaning of sacrificing ratio, gaining ratio and the change in profit sharing ratio among existing partners.</li> <li>develop the understanding of accounting treatment of revaluation assets and re-assessment of liabilities and treatment of reserves and accumulated profits by preparing revaluation account and balance sheet.</li> <li>explain the effect of change in profit sharing ratio on admission of a new partner.</li> <li>develop the understanding and skill of treatment of goodwill as per AS-26; treatment of revaluation of assets and re-assessment of liabilities; treatment of reserves and accumulated profits; adjustment of capital accounts and preparation of balance sheet of the new firm.</li> <li>explain the effect of retirement / death of a partner on change in profit sharing ratio.</li> <li>develop the understanding of accounting treatment of goodwill; revaluation of assets and re-assessment of liabilities and adjustment of accumulated profits and reserves on retirement / death of a partner and capital adjustment.</li> <li>develop the skill of calculation of deceased partner's share till the time of his death and prepare deceased partner's executor's account.</li> <li>discuss the preparation of the capital accounts of the remaining partners and the balance sheet of the firm after retirement / death of a partner.</li> <li>understand the situations under which a</li> </ul>
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partner, clear indication should be given regarding the payment thereof.	partnership firm can be dissolved. <ul style="list-style-type: none"> <li>develop the understanding of preparation of realisation account and other related accounts.</li> </ul>
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### Unit-3 Accounting for Companies

15 Periods

Units/Topics	Learning Outcomes
<b>Accounting for Share Capital</b> <ul style="list-style-type: none"> <li>Share and share capital: nature and types.</li> <li>Accounting for share capital: issue and allotment of equity and preference shares. Public subscription of shares - over subscription and under subscription of shares; issue at par and at premium; calls in advance and arrears (excluding interest); issue of shares for consideration other than cash.</li> <li>Concept of Private Placement and Employee Stock Option Plan (ESOP).</li> <li>Accounting treatment of forfeiture and re-issue of shares.</li> <li>Disclosure of share capital in the Balance Sheet of a company.</li> </ul>	<b>After going through this Unit, the students will be able to:</b> <ul style="list-style-type: none"> <li>state the meaning of share and share capital and differentiate between equity shares and preference shares and different types of share capital.</li> <li>understand the meaning of private placement of shares and Employee Stock Option Plan.</li> <li>explain the accounting treatment of share capital transactions regarding issue of shares.</li> <li>develop the understanding of accounting treatment of forfeiture and re-issue of forfeited shares.</li> <li>describe the presentation of share capital in the balance sheet of the company as per schedule III part I of the Companies Act 2013.</li> <li>explain the accounting treatment of different categories of transactions related to issue of debentures.</li> <li>develop the understanding and skill of writing of discount / loss on issue of debentures.</li> <li>understand the concept of collateral security and its presentation in balance sheet.</li> <li>develop the skill of calculating interest on debentures and its accounting treatment.</li> <li>state the meaning of redemption of debentures.</li> <li>develop the understanding of accounting treatment of transactions related to redemption of debentures by lump sum, draw of lots and Creation of Debenture Redemption Reserve.</li> </ul>
<b>Accounting for Debentures</b> <ul style="list-style-type: none"> <li>Debentures: issue of debentures at par, at a premium and at a discount. Issue of debentures for consideration other than cash; issue of debentures with terms of redemption, debentures as collateral security-concepts, interest on debentures. Writing off discount / loss on issue of debentures.</li> <li>Redemption of debentures-Methods: Lump sum, draw of lots.</li> <li>Creation of Debenture Redemption Reserve.</li> </ul> <i>Note: Related sections of the Companies Act, 2013 will apply.</i>	

### Part B: Financial Statement Analysis

20 Marks

### Unit 4: Analysis of Financial Statements

30 Periods

Financial statements of a company: Statement Profit and the loss and Balance Sheet in prescribed form with major	<b>After going through this Unit, the students will be able to:</b> <ul style="list-style-type: none"> <li>develop the understanding of major headings</li> </ul>
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<p>headings and sub-headings (as per Schedule III to the Companies Act, 2013).</p> <p><b>Note:</b> Exceptional items, extraordinary items and profit (loss) from discontinued operations are excluded.</p> <ul style="list-style-type: none"> <li>• <b>Financial Statement Analysis:</b> Objectives, importance and limitations.</li> <li>• <b>Tools for Financial Statement Analysis:</b> Comparative statements, common size statements, cash flow analysis, ratio analysis.</li> <li>• <b>Accounting Ratios:</b> Meaning, Objectives, classification and computation.</li> </ul> <p><b>Liquidity Ratios:</b> Current ratio and Quick ratio.</p> <p><b>Solvency Ratios:</b> Debt to Equity Ratio, Total Asset to Debt Ratio, Proprietary Ratio and Interest Coverage Ratio.</p> <p><b>Activity Ratios:</b> Inventory Turnover Ratio, Trade Receivables Turnover Ratio, Trade Payables Turnover Ratio and Working Capital Turnover Ratio.</p> <p><b>Profitability Ratios:</b> Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio and Return on Investment.</p>	<p>and sub-headings (as per Schedule III to the Companies Act, 2013) of balance sheet as per the prescribed norms / formats.</p> <ul style="list-style-type: none"> <li>• state the meaning, objectives and limitations of financial statement analysis.</li> <li>• discuss the meaning of different tools of financial statements analysis.</li> <li>• develop the understanding and skill of preparation of comparative and common size financial statements.</li> <li>• state the meaning, objectives and significance of different types of ratios.</li> <li>• develop the understanding of computation of current ratio and quick ratio.</li> <li>• develop the skill of computation of debt equity ratio, total asset to debt ratio, proprietary ratio and interest coverage ratio.</li> <li>• develop the skill of computation of inventory turnover ratio, trade receivables and trade payables ratio and working capital turnover ratio.</li> <li>• develop the skill of computation of gross profit ratio, operating ratio, operating profit ratio, net profit ratio and return on investment.</li> </ul>
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**Note:** Net Profit Ratio is to be calculated on the basis profit before and after tax.

#### Unit 5: Cash Flow Statement

20 Periods

<ul style="list-style-type: none"> <li>• <b>Meaning, objectives and preparation (as per AS 3 (Revised) (Indirect Method only)</b></li> </ul> <p><b>Note:</b></p> <p>(i) Adjustments relating to depreciation and amortization, profit or loss on sale of assets including investments, dividend (both final and interim) and tax.</p> <p>(ii) Bank overdraft and cash credit to be treated as short term borrowings.</p> <p>(iii) Current investments to be taken as Marketable securities unless otherwise specified.</p>	<p>After going through this Unit, the students will be able to:</p> <ul style="list-style-type: none"> <li>• state the meaning and objectives of cash flow statement.</li> <li>• develop the understanding of preparation of Cash Flow Statement using indirect method as per AS 3 with given adjustments.</li> </ul>
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#### Project Work

20 Marks 40 Periods

**Note:** Kindly refer to the Guidelines published by the CBSE.

OR

#### Part B: Computerised Accounting

20 Marks 50 Periods

##### Unit 3: Computerised Accounting

### **Overview of Computerised Accounting System.**

- Introduction: Application in Accounting.
- Features of Computerised Accounting System.
- Structure of CAS.
- Software Packages: Generic; Specific; Tailored.

### **Accounting Application of Electronic Spreadsheet.**

Concept of electronic spreadsheet.

Features offered by electronic spreadsheet.

Application in generating accounting information - bank reconciliation statement; asset accounting; loan repayment of loan schedule, ratio analysis

Data representation- graphs, charts and diagrams.

### **Using Computerized Accounting System.**

Steps in installation of CAS, codification and Hierarchy of account heads, creation of accounts.

Data: Entry, validation and verification.

Adjusting entries, preparation of balance sheet, profit and loss account with closing entries and opening entries.

Need and security features of the system.

### **Database Management System (DBMS)**

Concept and Features of DBMS.

DBMS in Business Application.

Generating Accounting Information - Payroll.

## **Part C: Practical Work**

**20 Marks 26 Periods**

Please refer to the guidelines published by CBSE.

### **Prescribed Books:**

Financial Accounting -I	Class XI	NCERT Publication
Accountancy -II	Class XI	NCERT Publication
Accountancy -I	Class XII	NCERT Publication
Accountancy -II	Class XII	NCERT Publication

Guidelines for Project Work in Accounting and Practical work in computerised Accounting Class XII CBSE Publication

### Suggested Question Paper Design

Accountancy (Code No. 055)

Class XII (2018-19)

One Paper

Theory: 80 Marks

Duration: 3 hrs.

S. No.	Typology of Questions	Very Short Answer 1 Mark	Short Answer I 3 Marks	Short Answer II 4 Marks	Long Answer I 6 Marks	Long Answer II 8 Marks	Marks	%
1.	<b>Remembering</b> - (Knowledge based Simple recall questions, to know specific facts, terms, concepts, principles, or theories; identify, define, or rectify information)	3	1	1	1	-	16	20%
2.	<b>Understanding</b> - (Comprehension - to be familiar with meaning and to understand conceptually, interpret, compare, contrast, explain, paraphrase, or interpret information)	2	-	2	1	1	24	30%
3.	<b>Application</b> - (Use abstract information in concrete situation, to apply knowledge to new situations; Use given content to interpret a situation, provide an example, or solve a problem)	-	2	2	1	-	20	25%
4.	<b>High Order Thinking Skills</b> - (Analysis & Synthesis- Classify, compare, contrast, or differentiate between different pieces of information, Organize and/or integrate unique pieces of information)	2	-	-	1	1	16	20%
5.	<b>Evaluation</b> - (Appraise, judge, and/or justify the value or worth of a decision or outcome, or to predict outcomes based on values)	1	1	-	-	-	04	05%
	<b>TOTAL</b>	<b>8x1=8</b>	<b>4x3=12</b>	<b>5x4=20</b>	<b>4x6=24</b>	<b>2x8=16</b>	<b>80(23) +20 Project</b>	<b>100 %</b>

*Scheme of options: All questions carrying 8 marks will have an internal choice.*

**Note:** The Board has introduced Learning Outcomes in the syllabus to motivate students to constantly explore all levels of learning. However these are only indicative. These do not in any way restrict the scope of questions asked in the examinations. The examination questions will be strictly based on the prescribed question paper design and syllabus.

## **18. BUSINESS STUDIES (Code No. 054)**

### **Rationale**

The courses in Business Studies and Accountancy are introduced at + 2 stage of Senior Secondary Education as formal commerce education is provided after first ten years of schooling. Therefore, it becomes necessary that instructions in these subjects are given in such a manner that students have a good understanding of the principles and practices bearing in business (trade and industry) as well as their relationship with the society.

Business is a dynamic process that brings together technology, natural resources and human initiative in a constantly changing global environment. To understand the framework in which a business operates, a detailed study of the organisation and management of business processes and its interaction with the environment is required. Globalisation has changed the way organizations transact their business.

Information Technology is becoming a part of business operations in more and more organisations. Computerised systems are fast replacing other systems. E-business and other related concepts are picking up fast which need to be emphasized in the curriculum.

The course in Business Studies prepares students to analyse, manage, evaluate and respond to changes which affect business. It provides a way of looking at and interacting with the business environment. It recognizes the fact that business influences and is influenced by social, political, legal and economic forces.

It allows students to appreciate that business is an integral component of society and develops an understanding of many social and ethical issues.

Therefore, to acquire basic knowledge of the business world, a course in Business Studies would be useful. It also informs students of a range of study and work options and bridges the gap between school and work.

### **Objectives:**

- To develop students with an understanding of the processes of business and its environment;
- To acquaint students with the dynamic nature and inter-dependent aspects of business;
- To develop an interest in the theory and practice of business, trade and industry;
- To familiarize students with theoretical foundations of the process of organizing and managing the operations of a business firm;
- To help students appreciate the economic and social significance of business activity and the social cost and benefits arising there from;
- To acquaint students with the practice of managing the operations and resources of business;
- To enable students to act more effectively and responsibly as consumers, employers, employees and citizens;
- To develop a business attitude and skills in students;
- To inculcate appropriate attitude and develop skills among students to pursue higher education, world of work including self employment.

**BUSINESS STUDIES (Code No. 054)**  
**CLASS–XI (2018-19)**

**One Paper**

**100 Marks**  
**3 Hours**

Units		Periods	Marks
<b>Part A</b>	<b>Foundations of Business</b>		
1	Nature and Purpose of Business	22	20
2	Forms of Business Organisations	26	
3	Public, Private and Global Enterprises	22	18
4	Business Services	22	
5	Emerging Modes of Business	12	12
6	Social Responsibility of Business and Business Ethics	16	
	<b>Total</b>	<b>120</b>	<b>50</b>
<b>Part B</b>	<b>Finance and Trade</b>		
7	Sources of Business Finance	30	20
8	Small Business	16	
9	Internal Trade	30	20
10	International Business	14	
11	Project Work	30	10
	<b>Total</b>	<b>120</b>	<b>50</b>

**Part A: Foundation of Business**

**120 Periods**

Concept includes meaning and features

**Unit 1: Evolution and Fundamentals of Business**

**22 Periods**

History of Commerce in India Indigenous Banking System, Rise of Intermediaries, Transport, Trading Communities; Merchant Corporations, Major Trade Centres, Major Imports and Exports, Position of Indian Sub-Continent in the World Economy.	After going through this unit, the student/ learner would be able to: <ul style="list-style-type: none"> <li>Know the History of Commerce in India</li> </ul>
Business -Concept <ul style="list-style-type: none"> <li>Concept includes meaning and features</li> </ul>	After going through this unit, the student/ learner would be able to: <ul style="list-style-type: none"> <li>Understand the concept of business with special reference to economic and non-economic activities.</li> <li>Discuss the characteristics of business.</li> </ul>
Business, profession and employment-Concept	<ul style="list-style-type: none"> <li>Understand the concept of business, profession and employment.</li> <li>Differentiate between business, profession and employment.</li> </ul>

Objectives of business	<ul style="list-style-type: none"> <li>• Appreciate the economic and social objectives of business.</li> <li>• Examine the role of profit in business.</li> </ul>
Classification of business activities - Industry and Commerce	<ul style="list-style-type: none"> <li>• Understand the broad categories of business activities- industry and commerce.</li> </ul>
Industry-types: primary, secondary, tertiary Meaning and subgroups	<ul style="list-style-type: none"> <li>• Describe the various types of industries</li> </ul>
Commerce-trade: (types-internal, external, wholesale and retail) and auxiliaries to trade: (banking, insurance, transportation, warehousing, communication, and advertising) – meaning	<ul style="list-style-type: none"> <li>• Discuss the meaning of commerce, trade and auxiliaries to trade.</li> <li>• Discuss the meaning of different types of trade and auxiliaries to trade.</li> <li>• Examine the role of commerce-trade and auxiliaries to trade.</li> </ul>
Business risk-Concept	<ul style="list-style-type: none"> <li>• Understand the concept of risk as a special characteristic of business</li> <li>• Examine the nature and causes of business risks</li> </ul>

## Unit 2: Forms of Business organizations

26 Periods

Sole Proprietorship-Concept, merits and limitations.	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>• List the different forms of business organizations and understand their meaning.</li> <li>• Identify and explain the concept, merits and limitations of Sole Proprietorship.</li> </ul>
Partnership-Concept, types, merits and limitation of partnership, registration of a partnership firm, partnership deed. Types of partners	<ul style="list-style-type: none"> <li>• Identify and explain the concept, merits and limitations of a Partnership firm.</li> <li>• Understand the types of partnership on the basis of duration and on the basis of liability</li> <li>• Define limited liability partnership.</li> <li>• State the need for registration of a partnership firm</li> <li>• Discuss types of partners –active, sleeping, secret, nominal and partner by estoppel.</li> </ul>
Hindu Undivided Family Business Concept	<ul style="list-style-type: none"> <li>• Understand the concept of Hindu Undivided Family Business</li> </ul>
Cooperative Societies-Concept, merits, and limitations.	<ul style="list-style-type: none"> <li>• Identify and explain the concept, merits and limitations of Cooperative Societies.</li> <li>• Understand the concept of</li> </ul>



	consumers, producers, marketing, farmers, credit and housing co-operatives
Company-Concept, merits and limitations. Types: Private, Public and One Person Company - Concept	<ul style="list-style-type: none"> <li>Identify and explain the concept, merits and limitations of private and public companies.</li> <li>Understand the meaning of one person company.</li> <li>Distinguish between a private company and a public company.</li> </ul>
Formation of company-stages, important documents to be used in formation of a company	<ul style="list-style-type: none"> <li>Highlight the stages in the formation of a company.</li> <li>Discuss the important documents used in the various stages in the formation of a company.</li> </ul>
Choice of form of business organization	<ul style="list-style-type: none"> <li>Distinguish between the various forms of business organizations.</li> <li>Explain the factors that influence the choice of a suitable form of business organization.</li> </ul>

### Unit 3: Public, Private and Global Enterprises

22 Periods

Public sector and private sector enterprises – Concept	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>Develop an understanding of Public sector and private sector enterprises</li> </ul>
Forms of public sector enterprises: Departmental Undertakings, Statutory Corporations and Government Company.	<ul style="list-style-type: none"> <li>Identify and explain the features, merits and limitations of different forms of public sector enterprises</li> </ul>
Global enterprises (MNCs) – Features, Joint ventures, Public private partnership – concept	<ul style="list-style-type: none"> <li>Develop an understanding of global enterprises, joint ventures and public private partnership by studying their meaning and features.</li> </ul>

### Unit 4: Business Services

22 Periods

Business services and its types - Meaning, Banking: Types of bank accounts- savings, current, recurring, fixed deposit and multiple option deposit account	<ul style="list-style-type: none"> <li>Understand the meaning and types of business services</li> <li>Discuss the meaning and types of Business service Banking</li> <li>Develop an understanding of different types of bank account.</li> </ul>
Banking services with particular reference to Bank Draft, Bank Overdraft, Cash credit, E-Banking meaning, Types of digital payments	<ul style="list-style-type: none"> <li>Develop an understanding of the different services provided by banks</li> </ul>

Insurance- Principles, Types –life, health, fire and marine Insurance –concept	<ul style="list-style-type: none"> <li>Recall the concept of Insurance</li> <li>Understand Utmost Good Faith, Insurable Interest, Indemnity, Contribution, Doctrine of Subrogation and Causa Proxima as principles of insurance</li> <li>Discuss the meaning of different types of insurance-life, health, fire, marine insurance.</li> </ul>
Postal Service-Mail, Registered Post, Parcel, Speed Post, Courier-meaning	<ul style="list-style-type: none"> <li>Understand the utility of different telecom services</li> </ul>

#### Unit 5: Emerging Modes of Business

12 Periods

E-business (concept), scope and benefits	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>Give the meaning of e-business</li> <li>Discuss the scope of e-business</li> <li>Appreciate the benefits of e-business</li> <li>Distinguish e-business from traditional business</li> </ul>
Business Process Outsourcing (BPO): Concept, need and scope	<ul style="list-style-type: none"> <li>Understand the concept of outsourcing</li> <li>Examine the scope of outsourcing, appreciate the need of outsourcing</li> <li>Discuss the meaning of Business Process Outsourcing and Knowledge Process Outsourcing</li> </ul>

#### Unit 6: Social Responsibility of Business and Business Ethics

16 Periods

Concept of social responsibility	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>State the concept of social responsibility.</li> </ul>
Case of social responsibility	<ul style="list-style-type: none"> <li>Examine the case for social responsibility.</li> </ul>
Responsibility towards owners, investors, consumers, employees, government and community.	<ul style="list-style-type: none"> <li>Identify the social responsibility towards different interest groups.</li> </ul>
Environment protection and business-Meaning and role	<ul style="list-style-type: none"> <li>Appreciate the role of business in environment protection</li> </ul>
Business Ethics-Concept and Elements	<ul style="list-style-type: none"> <li>State the concept of business ethics</li> <li>Describe the elements of business ethics</li> </ul>

**Part B: Finance and Trade****120 Periods**

Concept includes meaning and features

**Unit 7: Sources of Business Finance****30 Periods**

Concept of business finance	After going through this unit, the student/ learner would be able to <ul style="list-style-type: none"> <li>State the meaning, nature and importance of business finance</li> </ul>
Owners' funds- equity shares, preferences share, retained earnings, Global Depository receipt (GDR), American Depository Receipt (ADR) and International Depository Receipt (IDR) – concept	<ul style="list-style-type: none"> <li>Classify the various sources of funds into owners' funds</li> <li>State the meaning of owners' funds</li> <li>Understand the meaning of Global Depository receipts, American Depository Receipts and International Depository Receipts.</li> </ul>
Borrowed funds: debentures and bonds, loan from financial institution and commercial banks, public deposits, trade credit, Inter Corporate Deposits (ICD)	<ul style="list-style-type: none"> <li>State the meaning of borrowed funds</li> <li>Discuss the concept of debentures, bonds, loans from financial institutions and commercial banks, Trade credit and Inter corporate deposits.</li> <li>Distinguish between owners' funds and borrowed funds</li> </ul>

**Unit 8: Small Business and Enterprises****16 Periods**

Entrepreneurship Development (ED): Concept, Characteristics and Need <ul style="list-style-type: none"> <li>Process Entrepreneurship Development: Start-up India Scheme, ways to fund start-up</li> <li>Intellectual Property Rights and Entrepreneurship</li> </ul>	After going through this unit, the student/ learner would be able to: <ul style="list-style-type: none"> <li>Understand the concept of Entrepreneurship Development (ED), Intellectual Property Rights</li> </ul>
Small scale enterprise as defined by MSMED Act 2006 (Micro, Small and Medium Enterprise Development Act)	After going through this unit, the student/ learner would be able to: <ul style="list-style-type: none"> <li>Understand the meaning of small business</li> </ul>
Role of small business in India with special reference to rural areas	<ul style="list-style-type: none"> <li>Discuss the role of small business in India</li> </ul>
Government schemes and agencies for small scale industries: National Small Industries Corporation (NSIC) and District Industrial Centre (DIC) with special reference to rural, backward areas	<ul style="list-style-type: none"> <li>Appreciate the various Government schemes and agencies for development of small scale industries, NSIC and DIC with special reference to rural, backward area.</li> </ul>

**Unit 9: Internal Trade****30 Periods**

Internal trade - meaning and types services rendered by a wholesaler and a retailer  GST (Goods and Services Tax): Concept and key-features	After going through this unit, the student/ learner would be able to <ul style="list-style-type: none"> <li>• State the meaning and types of internal trade.</li> <li>• Appreciate the services of wholesalers and retailers</li> <li>• Understand the concept of GST</li> </ul>
Types of retail-trade-Itinerant and small scale fixed shops retailers	<ul style="list-style-type: none"> <li>• Explain the different types of retail trade</li> </ul>
Large scale retailers-Departmental stores, chain stores - concept	<ul style="list-style-type: none"> <li>• Highlight the distinctive features of departmental stores, chain stores and mail order business.</li> </ul>
Concept of automatic vending machine	<ul style="list-style-type: none"> <li>• State the concept of automatic vending machine.</li> </ul>
Main documents used in internal trade Performa invoice, invoice, debit note, credit note, Lorry receipt (LR) and Railways Receipt (RR).	<ul style="list-style-type: none"> <li>• Describe the main documents used in internal trade.</li> </ul>
Terms of Trade: Cash on Delivery (COD), Free on Board (FOB), Cost, Insurance and Freight (CIF), Errors and Omissions, Excepted (E&OE)	<ul style="list-style-type: none"> <li>• Develop an understanding of the various terms used in internal trade.</li> </ul>

**Unit 10: International Trade****14 Periods**

International trade - concept	After going through this unit, the student/ learner would be able to: <ul style="list-style-type: none"> <li>• Understand the concept of international trade</li> </ul>
International trade: concept and benefits	<ul style="list-style-type: none"> <li>• Describe the scope of international trade to the nation and business firms.</li> </ul>
Export trade- Meaning, objectives and procedure of Export Trade	<ul style="list-style-type: none"> <li>• State the meaning and objectives of export trade.</li> <li>• Explain the important steps involved in executing export trade.</li> </ul>
Import Trade- Meaning, objectives and procedure	<ul style="list-style-type: none"> <li>• State the meaning and objectives of import trade.</li> <li>• Discuss the important steps involved in executing import trade.</li> </ul>
Documents involved in International Trade: Indent, letter of credit, shipping order, shipping bill, mate's receipt(DA/DP), specimen of the documents, importance	<ul style="list-style-type: none"> <li>• Develop an understanding of the various documents used in international trade.</li> <li>• Identify the specimen of the various documents used in international trade.</li> <li>• Highlight the importance of the</li> </ul>

	documents needed in connection with international trade transactions
World Trade Organization (WTO) meaning and objectives	<ul style="list-style-type: none"> <li>• State the meaning of World Trade Organization.</li> <li>• Discuss the objectives of World Trade Organization in promoting international trade.</li> </ul>

### **Unit 11: Project Work**

**30 Periods**

As per CBSE guidelines.

QUESTION PAPER DESIGN YEAR 2018-19									
BUSINESS STUDIES		Code No. 054		CLASS XI					
Time: 3 hrs		Max. Marks – 90							
S N	Typology of Questions	Learning Outcomes & Testing Skills	Very Short Answer (VSA) (1 Mark)	Short Answer-I (SA-I) (3 Mark)	Short Answer-II (SA-II) (4 Marks)	Long Answer (LA) (5 Marks)	Essay Type (6 Marks)	Total Marks	% Weightage
1.	Remembering- (Knowledge based Simple recall questions, to know specific facts, terms, concepts, principles, or theories; identify, define, or recite information)	<ul style="list-style-type: none"><li>Reasoning</li><li>Analytical Skills</li><li>Critical Skills</li></ul>	2	1	1	1	-	14	16%
2.	Understanding- (Comprehension –to be familiar with meaning and to understand conceptually, interpret, compare, contrast, explain, paraphrase, or interpret information)		2	2	1	-	1	18	20%
3.	Application- (Use abstract information in concrete situation, to apply knowledge to new situations; Use given content to interpret a situation, provide an example, or solve a problem)		2	1	1	1	2	26	29%
4.	High Order Thinking Skills- (Analysis & Synthesis) Classify, compare, contrast, or differentiate between different pieces of information; Organize and/or integrate unique pieces of information from a variety of sources)		2	1	1	1	1	20	22%
5.	Evaluation- (Appraise, judge, and/or justify the value or worth of a decision or outcome, or to predict outcomes based on values)		-	1	1	1	-	12	13%
TOTAL-1 project (10 Marks)			6x1=6	6x3=18	5x4=20	4x5=20	4x6=24	90(27) project (10)	100 %
Estimated Time (in minutes)			8 min	27 min	30 min	40 min	60 min	165 min+15 min for revision	

**CLASS-XII (2018-19)**  
**COURSE STRUCTURE**

One Paper

3 Hours

Theory: 80 Marks

Project: 20 Marks

Units		Periods	Marks
<b>Part A</b>	<b>Principles and Functions of Management</b>		
1	Nature and Significance of Management	14	16
2	Principles of Management	14	
3	Business Environment	12	
4	Planning	14	
5	Organising	18	14
6	Staffing	16	
7	Directing	18	
8	Controlling	14	
		120	50
<b>Part B</b>	<b>Business Finance and Marketing</b>		
9	Financial Management	22	15
10	Financial Markets	20	
11	Marketing Management	32	15
12	Consumer Protection	16	
<b>Part C</b>	<b>Project Work (One)</b>	<b>30</b>	<b>20</b>
		120	50

**Part A: Principles and Functions of Management**

**120 Periods**

Concept includes meaning and features

**Unit 1: Nature and Significance of Management**

**14 Periods**

<p>Management-concept, objectives, and importance</p> <ul style="list-style-type: none"> <li>• Concept includes meaning and features</li> </ul>	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>• Understand the concept of management</li> <li>• Explain the meaning of Effectiveness and Efficiency.</li> <li>• Discuss the objectives of management</li> <li>• Describe the importance of management</li> </ul>
Management as Science, Art and Profession	<ul style="list-style-type: none"> <li>• Examine the nature of management as a science, art and profession.</li> </ul>
Levels of Management	<ul style="list-style-type: none"> <li>• Understand the role of top, middle and lower levels of management</li> </ul>
Management functions-planning, organizing, staffing, directing and controlling	<ul style="list-style-type: none"> <li>• Explain the functions of management</li> </ul>
Coordination- concept and importance	<ul style="list-style-type: none"> <li>• Discuss the concept and characteristics of coordination.</li> </ul>



	<ul style="list-style-type: none"> <li>Explain the importance of coordination.</li> </ul>
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## Unit 2: Principles of Management

**14 Periods**

Principles of Management- concept and significance	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>Understand the concept of principles of management</li> <li>Explain the significance of management principles.</li> </ul>
Fayol's principles of management	<ul style="list-style-type: none"> <li>Discuss the principles of management developed by Fayol</li> </ul>
Taylor's Scientific management- principles and techniques	<ul style="list-style-type: none"> <li>Explain the principles and techniques of 'Scientific Management'</li> <li>Compare the contributions of Fayol and Taylor</li> </ul>

## Unit 3: Business Environment

**12 Periods**

Business Environment- concept and importance	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>Understand the concept of 'Business Environment'</li> <li>Describe the importance of business environment</li> </ul>
Dimensions of Business Environment- Economic, Social, Technological, Political and Legal	<ul style="list-style-type: none"> <li>Describe the various dimensions of 'Business Environment'.</li> <li>Understand the concept of demonetization</li> </ul>
Demonetization - concept and features Impact of Government policy changes on business with special reference to liberalization, privatization and globalization in India	<ul style="list-style-type: none"> <li>Examine the impact of government policy changes on business in India with reference to liberalisation, privatization and globalisation since 1991.</li> <li>Discuss the managerial response to changes in business environment.</li> </ul>

## Unit 4: Planning

**14 Periods**

Concept, importance and limitation	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>Understand the concept of planning.</li> <li>Describe the importance of planning</li> </ul>
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	<ul style="list-style-type: none"> <li>Understand the limitations of planning.</li> </ul>
Planning process	<ul style="list-style-type: none"> <li>Describe the steps in the process of planning.</li> </ul>
Single use and standing plans: Objectives, Strategy, Policy, Procedure, method Rule, budget and Programme	<ul style="list-style-type: none"> <li>Develop an understanding of single use and standing plans</li> <li>Describe objectives, policies, strategy, procedure, method, rule, budget and programme as types of plans.</li> </ul>

#### Unit 6: Organising

**18 Periods**

Concept and importance	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>Understand the concept of organizing as a structure and as a process.</li> <li>Explain the importance of organising.</li> </ul>
Organising Process	<ul style="list-style-type: none"> <li>Describe the steps in the process of organizing</li> </ul>
Structure of organisation- functional and divisional concept. Formal and informal organisation- concept	<ul style="list-style-type: none"> <li>Describe functional and divisional structures of organisation</li> <li>Explain the advantages, disadvantages and suitability of functional and divisional structure.</li> <li>Understand the concept of formal and informal organisation</li> <li>Discuss the advantages, disadvantages of formal and informal organisation.</li> </ul>
Delegation: concept, elements and importance	<ul style="list-style-type: none"> <li>Understand the concept of delegation.</li> <li>Describe the elements of delegation.</li> <li>Appreciate the importance of Delegation.</li> </ul>
Decentralization: concept and importance	<ul style="list-style-type: none"> <li>Understand the concept of decentralisation.</li> <li>Explain the importance of decentralisation.</li> <li>Differentiate between delegation and decentralisation</li> </ul>

#### Unit 6: Staffing

**16 Periods**

Concept and importance of staffing	After going through this unit, the student/
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	<p>learner would be able to:</p> <ul style="list-style-type: none"> <li>• Understand the concept of staffing.</li> <li>• Explain the importance of staffing</li> </ul>
Staffing as a part of Human Resource Management concept	<ul style="list-style-type: none"> <li>• Understand the specialized duties and activities performed by Human Resource Management</li> </ul>
Staffing process	<ul style="list-style-type: none"> <li>• Describe the steps in the process of staffing</li> </ul>
Recruitment process	<ul style="list-style-type: none"> <li>• Understand the meaning of recruitment.</li> <li>• Discuss the sources of recruitment.</li> <li>• Explain the merits and demerits of internal and external sources of recruitment.</li> </ul>
Selection- process	<ul style="list-style-type: none"> <li>• Understand the meaning of selection.</li> <li>• Describe the steps involved in the process of selection.</li> </ul>
Training and Development- Concept and importance, Methods of training- on the job and off the job - vestibule training, apprenticeship training and internship training	<ul style="list-style-type: none"> <li>• Understand the concept of training and development.</li> <li>• Appreciate the importance of training to the organisation and to the employees.</li> <li>• Discuss the meaning of induction training, vestibule training, apprenticeship training and internship training.</li> <li>• Differentiate between training and development.</li> <li>• Discuss on the job and off the job methods of training.</li> </ul>

## Unit 7: Directing

18 Periods

Concept and importance	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>• Describe the concept of directing.</li> <li>• Discuss the importance of directing</li> </ul>
Elements of Directing	<ul style="list-style-type: none"> <li>• Describe the four elements of directing.</li> </ul>
Supervision –concept, function of a supervisor	<ul style="list-style-type: none"> <li>• Understand the concept of supervision.</li> <li>• Discuss the functions performed by a supervisor.</li> </ul>
Motivation-concept, Maslow's hierarchy of needs, Financial and non-financial incentives	<ul style="list-style-type: none"> <li>• Understand the concept of motivation.</li> <li>• Develop an understanding of Maslow's Hierarchy of needs.</li> <li>• Discuss the various financial and</li> </ul>

Leadership- concept, styles- authoritative, democratic and laissez faire	<p>non-financial incentives.</p> <ul style="list-style-type: none"> <li>• Understand the concept of leadership.</li> <li>• Understand the various styles of leadership.</li> </ul>
Communication- concept, formal and informal communication; barriers to effective communication; how to overcome the barriers	<ul style="list-style-type: none"> <li>• Understand the concept of communication</li> <li>• Understand the elements of the communication process.</li> <li>• Discuss the concept of formal and informal communication.</li> <li>• Discuss the various barriers to effective communication.</li> <li>• Suggest measures to overcome barriers to communication.</li> </ul>

#### **Unit 8: Controlling**

**14 Periods**

Concept and importance	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>• Understand the concept of controlling.</li> <li>• Explain the importance of controlling.</li> </ul>
Relationship between planning and controlling	<ul style="list-style-type: none"> <li>• Describe the relationship between planning and controlling</li> </ul>
Steps in process of control	<ul style="list-style-type: none"> <li>• Discuss the steps in the process of controlling.</li> </ul>

#### **Part B: Business Finance and Marketing**

**120 Periods**

Concept includes meaning and features

#### **Unit 9: Financial Management**

**22 Periods**

Concept, role and objectives of Financial Management	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>• Understand the concept of financial management.</li> <li>• Explain the role of financial management in an organisation.</li> <li>• Discuss the objectives of financial management</li> </ul>
Financial decisions: investment, financing and dividend- Meaning and factors affecting	<ul style="list-style-type: none"> <li>• Discuss the three financial decisions and the factors affecting them.</li> </ul>
Financial Planning- concept and importance &	<ul style="list-style-type: none"> <li>• Describe the concept of financial planning and its objectives.</li> <li>• Explain the importance of financial planning.</li> </ul>

Capital Structure- Concept	<ul style="list-style-type: none"> <li>Understand the concept of capital structure.</li> <li>Describe the factors determining the choice of an appropriate capital structure of a company.</li> </ul>
Fixed and Working Capital- Concept and factors affecting their requirements	<ul style="list-style-type: none"> <li>Understand the concept of fixed and working capital.</li> <li>Describe the factors determining the requirements of fixed and working capital.</li> </ul>

#### Unit 10: Financial Markets

**20 Periods**

Financial Markets: Concept, Functions and types	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>Understand the concept of financial market.</li> <li>Explain the functions of financial market.</li> <li>Understand capital market and money market as types of financial markets.</li> </ul>
Money market and its instruments	<ul style="list-style-type: none"> <li>Understand the concept of money market.</li> <li>Describe the various money market instruments.</li> </ul>
Capital market and its types (primary and secondary), methods of floatation in the primary market	<ul style="list-style-type: none"> <li>Discuss the concept of capital market.</li> <li>Explain primary and secondary markets as types of capital market.</li> <li>Differentiate between capital market and money market.</li> <li>Discuss the methods of floating new issues in the primary market.</li> <li>Distinguish between primary and secondary markets.</li> </ul>
Stock Exchange- Functions and trading procedure.	<ul style="list-style-type: none"> <li>Give the meaning of a stock exchange.</li> <li>Explain the functions of a stock exchange.</li> <li>Discuss the trading procedure in a stock exchange.</li> <li>Give the meaning of depository services and demat account as used in the trading procedure of securities.</li> </ul>
Securities and Exchange Board of India (SEBI) - objectives and functions	<ul style="list-style-type: none"> <li>State the objectives of SEBI.</li> <li>Explain the functions of SEBI.</li> </ul>

**Unit 11: Marketing Management****32 Periods**

Selling and Marketing- Concept	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"><li>• Understand the concept of selling, marketing.</li><li>• Explain the features of marketing.</li><li>• Distinguish between marketing and selling.</li></ul>
Marketing Management- Concept	<ul style="list-style-type: none"><li>• Describe the concept of marketing management.</li></ul>
Marketing Functions	<ul style="list-style-type: none"><li>• Discuss the functions of marketing.</li></ul>
Marketing management philosophies	<ul style="list-style-type: none"><li>• Explain marketing management philosophies.</li></ul>
Marketing Mix – Concept and elements	<ul style="list-style-type: none"><li>• Understand the concept of marketing mix.</li><li>• Describe the elements of marketing mix.</li></ul>
Product - branding, labelling and packaging - Concept	<ul style="list-style-type: none"><li>• Understand the concept of product as an element of marketing mix.</li><li>• Understand the concept of branding, labelling and packaging.</li></ul>
Price- Concept, Factors determining price	<ul style="list-style-type: none"><li>• Understand the concept of price as an element of marketing mix.</li><li>• Describe the factors determining price of a product.</li></ul>
Physical Distribution - concept and components, channels of distribution types, choice of channels.	<ul style="list-style-type: none"><li>• Understand the concept of physical distribution.</li><li>• Explain the components of physical distribution.</li><li>• Describe the various channels of distribution.</li><li>• Discuss the factors determining the choice of channels of distribution.</li></ul>
Promotion – Concept and elements, advertising concept, role, objections against advertising, personal selling- concept and qualities of a good salesman, sales promotion- concept and techniques, public relations- concept and role.	<ul style="list-style-type: none"><li>• Understand the concept of promotion as an element of marketing mix.</li><li>• Describe the elements of promotion mix.</li><li>• Understand the concept of advertising.</li><li>• Describe the role of advertising.</li><li>• Examine the objections to advertising.</li><li>• Understand the concept of personal selling.</li><li>• Discuss the qualities of a good salesman.</li><li>• Understand the concept of sales.</li></ul>

	<p>promotion.</p> <ul style="list-style-type: none"> <li>• Explain the commonly used techniques of sales promotion.</li> <li>• Discuss the concept and role of public relations.</li> </ul>
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## **Unit 12: Consumer Protection**

**16 Periods**

Concept and importance of consumer protection	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> <li>• Understand the concept of consumer protection.</li> <li>• Describe the importance of consumer protection.</li> <li>• Discuss the scope of Consumer Protection Act, 1986</li> </ul>
<p>Consumer Protection Act 1986, Meaning of consumer Rights and responsibilities of consumers Who can file a complaint against whom? Redressal machinery Remedies available</p>	<ul style="list-style-type: none"> <li>• Understand the concept of a consumer according to the Consumer protection Act 1986.</li> <li>• Explain the consumer rights</li> <li>• Understand the responsibilities of consumers</li> <li>• Understand who can file a complaint and against whom?</li> <li>• Discuss the legal redressal machinery under Consumer protection Act 1986.</li> <li>• Examine the remedies available to the consumer under Consumer protection Act 1986.</li> </ul>
Consumer awareness- Role of consumer organizations and Non-Governmental Organizations (NGOs).	<ul style="list-style-type: none"> <li>• Describe the role of consumer organizations and NGOs in protecting consumers' interests.</li> </ul>

## **Unit 13: Project Work**

**30 Periods**



## PROJECT WORK IN BUSINESS STUDIES FOR CLASS XI AND XII

### Introduction

The course in Business Studies is introduced at Senior School level to provide students with a sound understanding of the principles and practices bearing in business (trade and industry) as well as their relationship with the society. Business is a dynamic process that brings together technology, natural resources and human initiative in a constantly changing global environment. With the purpose to help them understand the framework within which a business operates, and its interaction with the social, economic, technological and legal environment, the CBSE has introduced Project Work in the Business Studies Syllabus for Classes XI and XII. The projects have been designed to allow students to appreciate that business is an integral component of society and help them develop an understanding of the social and ethical issues concerning them.

The project work also aims to empower the teacher to relate all the concepts with what is happening around the world and the student's surroundings, making them appear more clear and contextual. This will enable the student to enjoy studies and use his free time effectively in observing what's happening around.

By means of Project Work the students are exposed to life beyond textbooks giving them opportunities to refer materials, gather information, analyze it further to obtain relevant information and decide what matter to keep.

### Objectives

After doing the Project Work in Business Studies, the students will be able to do the following:

- develop a practical approach by using modern technologies in the field of business and management;
- get an opportunity for exposure to the operational environment in the field of business management and related services;
- inculcate important skills of team work, problem solving, time management, information collection, processing, analysing and synthesizing relevant information to derive meaningful conclusions;
- get involved in the process of research work & demonstrate his or her capabilities while working independently and
- make studies an enjoyable experience to cherish.

### CLASS XI: GUIDELINES FOR TEACHERS

This section provides some basic guidelines for the teachers to launch the projects in Business Studies. It is very necessary to interact, support, guide, facilitate and encourage students while assigning projects to them.

The teachers must ensure that the project work assigned to the students whether individually or in group are discussed at different stages right from assignment to drafts, review and finalization. Students should be facilitated in terms of providing relevant

materials or suggesting websites, or obtaining required permissions from business houses, malls etc for their project. The periods assigned to the Project Work should be suitably spaced throughout the academic session. The teachers MUST ensure that the students actually go through the rigors and enjoy the process of doing the project rather than depending on any readymade material available commercially.

The following steps might be followed:

1. Students must take any one topic during the academic session of Class XI.
2. The project may be done in a group or individually.
3. The topic should be assigned after discussion with the students in the class and should then be discussed at every stage of submission of the draft/final project work.
4. The teacher should play the role of a facilitator and should closely supervise the process of project completion.
5. The teachers must ensure that the student's self esteem should go up, and he /she should be able to enjoy this process.
6. The project work for each term should culminate in the form of Power Point Presentation/Exhibition/ Skit before the entire class. This will help in developing ICT and communication skills among them.

The teacher should help students to identify any one project from the given topics.

### **1. Project One: Field Visit**

The objective of introducing this project among the students is to give a first hand experience to them regarding the different types of business units operating in their surroundings, to observe their features and activities and relate them to the theoretical knowledge given in their text books. The students should select a place of field visit from the following. – (Add more as per local area availability.)

1. Visit to a Handicraft unit
2. Visit to an Industry
3. Visit to a Whole sale market (vegetables, fruits, flowers, grains, garments, etc.)
4. Visit to a Departmental store.
5. Visit to a Mall

The following points should be kept in mind while preparing this visit.

1. Select a suitable day free from rush/crowd with lean business hours.
2. The teacher must visit the place first and check out on logistics. It's better to seek permission from the concerned business- incharge.
3. Visit to be discussed with the students in advance. They should be encouraged to prepare a worksheet containing points of observation and reporting.
4. Students may carry their cameras (at their own risk) with prior permission for collecting evidence of their observations.

#### **1. Visit to a Handicraft Unit**

The purpose of visiting a Handicraft unit is to understand nature and scope of its business, stake holders involved and other aspects as outlined below

- a) The raw material and the processes used in the business: People /parties/firms from which they obtain their raw material.
- b) The market, the buyers, the middlemen, and the areas covered. c) The countries to which exports are made.
- d) Mode of payment to workers, suppliers etc.
- e) Working conditions.
- f) Modernization of the process over a period of time.
- g) Facilities, security and training for the staff and workers.
- h) Subsidies available/ availed.
- i) Any other aspect that the teachers deem fit.

## **2. Visit to an Industry.**

The students are required to observe the following.

- a) Nature of the business organisation.
- b) Determinants for location of business unit.
- c) Form of business enterprise: Sole Proprietorship, Partnership, Undivided Hindu Family, Joint Stock Company (a Multinational Company)
- d) Different stages of production/process
- e) Auxiliaries involved in the process.
- f) Workers employed, method of wage payment, training programmes and facilities available.
- g) Social responsibilities discharged towards workers, investors, society, environment and government.
- h) Levels of management.
- i) Code of conduct for employers and employees.
- j) Capital structure employed- borrowed v/s owned.
- k) Quality control, recycling of defective goods.
- l) Subsidies available/availed
- m) Safety Measures employed.
- n) Working conditions for labour in observation of Labour Laws.
- o) Storage of raw material and finished goods.
- p) Transport management for employees, raw material and finished goods.
- q) Functioning of various departments and coordination among them (Production, Human Resource, Finance and Marketing)
- r) Waste Management.
- s) Any other observation.

## **3. Visit to a whole sale market: vegetables/fruits/flowers/grains/garments etc.**

The students are required to observe the following:

- a) Sources of merchandise.
- b) Local market practices.
- c) Any linked up businesses like transporters, packagers, money lenders, agents, etc.
- d) Nature of the goods dealt in.
- e) Types of buyers and sellers.
- f) Mode of the goods dispersed, minimum quantity sold, types of packaging employed.
- g) Factors determining the price fluctuations.

- h) Seasonal factors (if any) affecting the business.
- i) Weekly/ monthly non-working days
- j) Strikes, if any- causes thereof.
- k) Mode of payments.
- l) Wastage and disposal of dead stock.
- m) Nature of price fluctuations, reason thereof.
- n) Warehousing facilities available/availed.
- o) Any other aspect.

#### **4. Visit to a Departmental store**

The students are required to observe the following:

- a) Different departments and their lay out.
- b) Nature of products offered for sale.
- c) Display of fresh arrivals.
- d) Promotional campaigns.
- e) Spaces and advertisements.
- f) Assistance by Sales Personnel.
- g) Billing counter at store – Cash, Credit Card/ Debit Card, swipe facility. Added attractions and facilities at the counter.
- h) Additional facilities offered to customers
- i) Any other relevant aspect.

#### **5. Visit to a Mall.**

The students are required to observe the following:

- a) Number of floors, shops occupied and unoccupied.
- b) Nature of shops, their ownership status
- c) Nature of goods dealt in: local brands, international brands.
- d) Service business shops- Spas, gym, saloons etc.
- e) Rented spaces, owned spaces.
- f) Different types of promotional schemes.
- g) Most visited shops.
- h) Special attractions of the Mall- Food court, Gaming zone or Cinema etc.
- i) Innovative facilities.
- j) Parking facilities. Teachers may add more to the list.

### **II. Project Two: Case Study on a Product**

- a) Take a product having seasonal growth and regular demand with which students can relate. For example,
  - Apples from Himachal Pradesh, Kashmir.
  - Oranges from Nagpur,
  - Mangoes from Maharashtra/U.P./Bihar/Andhra Pradesh etc.
  - Strawberries from Panchgani,
  - Aloe vera from Rajasthan,
  - Walnuts/almonds from Kashmir,
  - Jackfruit from South,
  - Guavas from Allahabad,

- Pineapples from North East India,
- Tea from Assam,
- Orchids from Sikkim and Meghalaya,
- Pottery of Manipur,
- Fishes from coastal areas.

Students may develop a Case Study on the following lines:

- (i) Research for change in price of the product. For example, apples in Himachal Pradesh during plucking and non plucking season.
- (ii) Effect on prices in the absence of effective transport system.
- (iii) Effect on prices in the absence of suitable warehouse facilities.
- (iv) Duties performed by the warehouses.
- (v) Demand and supply situation of the product during harvesting season, prices near the place of origin and away.

Students may be motivated to find out the importance of producing and selling these products and their processed items along with the roles of Transport, Warehousing, Advertising, Banking, Insurance, Packaging, Wholesale selling, Retailing, Co-operative farming, Co-operative marketing etc.

The teacher may develop the points for other projects on similar lines for students to work on.

The teacher may assign this project as 'group' project and may give different products to different groups. It could conclude in the form of an exhibition.

### **III. Project Three: Aids to Trade**

Taking any one AID TO TRADE, for example Insurance and gathering information on following aspects

1. History of Insurance Lloyd's contribution.
2. Development of regulatory Mechanism.
3. Insurance Companies in India.
4. Principles of Insurance.
5. Types of Insurance. Importance of insurance to the businessmen.
6. Benefits of crop, orchards, animal and poultry insurance to the farmers.
7. Terminologies used (premium, face value, market value, maturity value, surrender value) and their meanings.
8. Anecdotes and interesting cases of insurance. Reference of films depicting people committing fraudulent acts with insurance companies.
9. Careers in Insurance.

Teachers to develop such aspects for other aids to trade.

### **IV. Project Four: Import /Export Procedure**

Any one from the following

1. Import /Export procedure

The students should identify a product of their city/country which is imported /exported. They are required to find the details of the actual import/export procedure. They may take help from the Chambers of Commerce, Banker, existing Importers/Exporters, etc.

They should find details of the procedure and link it with their Text knowledge.

The specimens of documents collected should be pasted in the Project file with brief description of each. They may also visit railway godowns/dockyards/ transport agencies and may collect pictures of the same.

**Presentation and submission of project report**

At the end of the stipulated term, each student will prepare and submit his/her project report.

Following essentials are required to be fulfilled for its preparation and submission

1. The total project will be in a file format, consisting of the recordings of the value of shares and the graphs.
2. The project will be handwritten.
3. The project will be presented in a neat folder.
4. The project report will be developed in the following sequence-
  - Cover page should project the title, student information, school and year.
  - List of contents.
  - Acknowledgements and preface (acknowledging the institution, the news papers read, T V channels viewed, places visited and persons who have helped).
  - Introduction.
  - Topic with suitable heading
  - Planning and activities done during the project, if any
  - Observations and findings while conducting the project.
  - News paper clippings to reflect the changes of share prices.
  - Conclusions (summarised suggestions or findings, future scope of study).
  - Appendix (if needed)
  - Teachers report.
  - Teachers will initial preface page.
  - At the completion of the evaluation of the project, it will be punched in the centre so that the report cannot be reused but is available for reference only.
  - The projects will be returned after evaluation. The school may keep the best projects.

#### **V. Project Five: A visit to any State Emporium (other than your school state).**

The purpose of this project is that it leads to -

- Development of deeper understanding of the diversity of products in the states like Assam, Tripura, Nagaland, Mizoram, Manipur, Meghalaya, Sikkim, Arunachal Pradesh, Jammu and Kashmir, Kerala, Chhattisgarh, Telangana, Andhra Pradesh and other States of the country.
- Sensitization and orientation of students about other states, their trade, business and commerce.
- Understanding the cultural and socio-economic aspects of the state by the students.

- Developing the understanding of role of folk art, artisanship and craftsmanship of the state in its growth and economic development
- Understanding the role of gifts of nature and natural produce in the development of trade, business and commerce
- Understanding the role of vocational skills and abilities on the livelihood of artisans/ craftsman
- Understanding of entrepreneurial skills and abilities of the artisans/craftsman
- Understanding of the unemployment problem of the state and role of art and craft of the state in generating employment opportunities
- Value aspect -
  - Sense of gratitude - by appreciating the contributions made by others in the betterment of our lives
  - Appreciating the dignity of work
  - Sensitivity towards social, cultural, ethnical and religious differences Benefits of social harmony and peace
  - Understanding and appreciating the unity in diversity in India
  - Appreciating differences in race, skin colour, languages, religion, habits, festivals, clothing coexistence

### **Presentation and Submission of Project Report**

At the end of the stipulated term, each student will prepare and submit his/her project report.

Following essentials are required to be fulfilled for its preparation and submission.

1. Nature of the business organisation (emporium)
2. Determinants for location of the concerned emporium
3. Is the space rented or owned
4. Nature of the goods dealt in
5. Sources of merchandise of the emporium
6. Role of co-operative societies in the manufacturing and/or marketing of the merchandise
7. Role of gifts of nature or natural produce in the development of goods/merchandise
8. Types of buyers and sellers
9. Modes of goods dispersed, minimum quantity sold and type of carrying bag or package used for delivery of the products sold
10. Factors determining the pricing at the emporium
11. Comparison between the prices of goods available at the emporium with the prices in the open market. Also highlight probable causes of variations if any.
12. Kind of raw material available naturally, used in making the products
13. The technique used in making the products i.e., hand made or machine made
14. Has the child labour being used in making the products sold at the emporium
15. Are the products eco-friendly, in terms of manufacturing, disposal and packing.
16. Seasonal factors if any affecting the business of the emporium
17. Weekly/ Monthly non-working days
18. Mode of billing and payments - Cash, Credit Card/ Debit Card, Swipe facility.
19. Does the emporium sell its merchandise in installment / deferred payment basis
20. Do they provide home delivery and after sales services.
21. Different types of promotional campaigns / schemes
22. Assistance by Sales Personnel
23. Export orientation of this emporium and procedure used



24. Policies related to damaged/ returned goods
25. Any government facility available to the emporium
26. Warehousing facilities available / availed
27. Impact of tourism on the business of emporium
28. Additional facility offered to customers
29. Any Corporate Social Responsibility (CSR) assumed by the emporium
30. Contribution made by the emporium to its locality

## ASSESSMENT

The marks will be allocated on the following heads:

1	Initiative, cooperativeness and participation	1 Mark
2	Creativity in presentation	1 Mark
3	Content, observation and research work	2 Marks
4	Analysis of situations	2 Marks
5	Viva	4 Marks
	Total	10 Marks.

## CLASS XII : GUIDELINES FOR TEACHERS

Students are supposed to select one unit out of four and are required to make only ONE project from the selected unit. (Consist of one project of 20 marks)

1. Help students to select any ONE Topic for the entire year.
2. The topic should be assigned after discussion with the students in the class and should then be discussed at every stage of the submission of the project.

The teacher should play the role of a facilitator and should closely supervise the process of project completion. The teachers must ensure that the project work assigned to the students whether individually or in group are discussed at different stages right from assignment to drafts review and finalization. Students should be facilitated in terms of providing relevant materials or suggesting websites, or obtaining required permissions from business houses, malls etc for their project. The periods assigned to the Project Work should be suitably spaced throughout the academic session. The teachers MUST ensure that the student actually go through the rigors and enjoy the process of doing the project rather than depending on any readymade material available outside.

3. The students must make a presentation of the project before the class
4. The teachers must ensure that the student's self-esteem and creativity is enhanced and both the teacher and the student enjoy this process.
5. The teachers should feel pride in the fact that they have explored the different dimensions of the project in an innovative way and their students have put in genuine work.

### I. Project One: Elements of Business Environment

The teachers should help the students in selecting any one element of the following:

1. Changes witnessed over the last few years on mode of packaging and its economic impact. The teacher may guide the students to identify the following changes:

- a) The changes in transportation of fruits and vegetables such as cardboard crates being used in place of wooden crates, etc. Reasons for above changes.
- b) Milk being supplied in glass bottles, later in plastic bags and now in tetra-pack and through vending machines.
- c) Plastic furniture (doors and stools) gaining preference over wooden furniture.
- d) The origin of cardboard and the various stages of changes and growth.
- e) Brown paper bags packing to recycled paper bags to plastic bags and cloth bags.
- f) Re-use of packaging (bottles, jars and tins) to attract customers for their products.
- g) The concept of pyramid packaging for milk.
- h) Cost being borne by the consumer/manufacturer.
- i) Packaging used as means of advertisements.

2. The reasons behind changes in the following:

Coca – Cola and Fanta in the seventies to Thums up and Campa Cola in the eighties to Pepsi and Coke in nineties.

The teacher may guide the students to the times when India sold Coca Cola and Fanta which were being manufactured in India by the foreign companies.

The students may be asked to enquire about

- a) Reasons of stopping the manufacturing of the above mentioned drinks in India THEN
- b) The introduction of Thums up and Campa cola range.
- c) Re-entry of Coke and introduction of Pepsi in the Indian market.
- d) Factors responsible for the change.
- e) Other linkages with the above.
- f) Leading brands and the company having the highest market share.
- g) Different local brands venturing in the Indian market.
- h) The rating of the above brands in the market.
- i) The survival and reasons of failure in competition with the international brands.
- j) Other observations made by the students.

The teacher may develop the following on the above lines

3. Changing role of the women in the past 25 years relating to joint families, nuclear families, women as a bread earner of the family, changes in the requirement trend of mixers, washing machines, micro wave and standard of living.

4. The changes in the pattern of import and export of different Products.

5. The trend in the changing interest rates and their effect on savings.

6. A study on child labour laws, its implementation and consequences.

7. The state of 'anti plastic campaign,' the law, its effects and implementation.

8. The laws of mining (Setting up of industries, rules and regulations, licences required for running that business).

9. Social factors affecting acceptance and rejection of an identified product. (Dish washer, Atta maker, etc.)

10. What has the effect of change in environment on the types of goods and services?

The students can take examples like:

- a) Washing machines, micro waves, mixers and grinder.
- b) Need for crèche, day care centre for young and old.
- c) Ready to eat food, eating food outside, and tiffin centres.

11. Change in the man-machine ratio with technological advances resulting in change of cost structure.

12. Effect of changes in technological environment on the behaviour of employee.

## **II. Project Two: Principles of Management**

The students are required to visit any one of the following:

1. A departmental store.
  2. An Industrial unit.
  3. A fast food outlet.
  4. Any other organisation approved by the teacher.
- They are required to observe the application of the general Principles of management advocated by Fayol.

Fayol's principles

1. Division of work.
2. Unity of command.
3. Unity of direction.
4. Scalar chain
5. Esprit de corps
6. Fair remuneration to all.
7. Order.
8. Equity.
9. Discipline
10. Subordination of individual interest to general interest.
11. Initiative.
12. Centralisation and decentralisation.
13. Stability of tenure.

OR

They may enquire into the application of scientific management techniques by F.W. Taylor in the unit visited.

Scientific techniques of management.

1. Functional foremanship.
2. Standardisation and simplification of work.
3. Method study.
4. Motion Study.
5. Time Study.
6. Fatigue Study
7. Differential piece rate plan.

### **Tips to teacher**

- (i) The teacher may organize this visit.
- (ii) The teacher should facilitate the students to identify any unit of their choice and guide them to identify the principles that are being followed.
- (iii) Similarly they should guide the students to identify the techniques of scientific management implemented in the organisation.
- (iv) It may be done as a group activity.
- (v) The observations could be on the basis of
  - The different stages of division of work resulting to specialisation.
  - Following instructions and accountability of subordinates to higher authorities.
  - Visibility of order and equity in the unit.
  - Balance of authority and responsibility.

- ┆ Communication levels and pattern in the organisation.
- ┆ Methods and techniques followed by the organisation for unity of direction and coordination amongst all.
- ┆ Methods of wage payments followed. The arrangements of fatigue study.
- ┆ Derivation of time study.
- ┆ Derivation and advantages of method study.
- ┆ Organisational chart of functional foremanship.
- ┆ Any other identified in the organisation.

vi. It is advised that students should be motivated to pick up different areas of visit. As presentations of different areas in the class would help in better understanding to the other students.

vii. The students may be encouraged to develop worksheets. Teachers should help students to prepare observation tools to be used for undertaking the project.

Examples: worksheets, questionnaire, interviews and organisational chart etc.

### **III. Project Three: Stock Exchange**

The purpose of this project is to teach school students the values of investing and utilising the stock market. This project also teaches important lessons about the economy, mathematics and financial responsibility.

The basis of this project is to learn about the stock market while investing a specified amount of fake money in certain stocks. Students then study the results and buy and sell as they see fit.

This project will also guide the students and provide them with the supplies necessary to successfully monitor stock market trends and will teach students how to calculate profit and loss on stock.

The project work will enable the students to:

- ┆ understand the topics like sources of business finance and capital market
- ┆ understand the concepts used in stock exchange
- ┆ inculcate the habit of watching business channels, reading business journals/newspapers and seeking information from their elders.

The students are expected to:

- a) Develop a brief report on History of Stock Exchanges in India. (your country)
- b) Prepare a list of at least 25 companies listed on a Stock Exchange
- c) To make an imaginary portfolio totaling a sum of Rs. 50,000 equally in any of the 5 companies of their choice listed above over a period of twenty working days

The students may be required to report the prices of the stocks on daily basis and present it diagrammatically on the graph paper.

- ┆ They will understand the weekly holidays and the holidays under the Negotiable Instruments Act.

They will also come across with terms like closing prices, opening prices, etc.

- ┆ During this period of recording students are supposed to distinctively record the daily and starting and closing prices of the week other days under the negotiable instrument act so that they acquire knowledge about closing and opening prices.

- The students may conclude by identifying the causes in the fluctuations of prices. Normally it would be related to the front page news of the a business journal, for example,
  - Change of seasons.
  - Festivals.
  - Spread of epidemic.
  - Strikes and accidents
  - Natural and human disasters.
  - Political environment.
  - Lack of faith in the government policies.
  - Impact of changes in government policies for specific industry.
  - International events.
  - Contract and treaties at the international scene.
  - Relations with the neighbouring countries.
  - Crisis in developed countries, etc.

The students are expected to find the value of their investments and accordingly rearrange their portfolio. The project work should cover the following aspects;

1. Graphical presentation of the share prices of different companies on different dates.
2. Change in market value of shares due to change of seasons, festivals, natural and human disasters.
3. Change in market value of shares due to change in political environment/ policies of various countries/crisis in developed countries or any other reasons
4. Identify the top ten companies out of the 25 selected on the basis of their market value of shares.

It does not matter if they have made profits or losses.

#### **IV. Project Four: Marketing**

- |                         |                     |
|-------------------------|---------------------|
| 1. Adhesives            | 24. e-wash          |
| 2. Air conditioners     | 25. Fairness cream  |
| 3. Baby diapers         | 26. Fans            |
| 4. Bathing Soap         | 27. Fruit candy     |
| 5. Bathroom cleaner     | 28. Furniture       |
| 6. Bike                 | 29. Hair Dye        |
| 7. Blanket              | 30. Hair Oil        |
| 8. Body Spray           | 31. Infant dress    |
| 9. Bread                | 32. Inverter        |
| 10. Breakfast cereal    | 33. Jams            |
| 11. Butter              | 34. Jeans           |
| 12. Camera              | 35. Jewellery       |
| 13. Car                 | 36. Kurti           |
| 14. Cheese spreads      | 37. Ladies bag      |
| 15. Chocolate           | 38. Ladies footwear |
| 16. Coffee              | 39. Learning Toys   |
| 17. Cosmetology product | 40. Lipstick        |
| 18. Crayons             | 41. Microwave oven  |
| 19. Crockery            | 42. Mixers          |
| 20. Cutlery             | 43. Mobile          |
| 21. Cycle               | 44. Moisturizer     |
| 22. DTH                 | 45. Music player    |
| 23. Eraser              | 46. Nail polish     |

- |                     |                        |
|---------------------|------------------------|
| 47. Newspaper       | 63. Shoe polish        |
| 48. Noodles         | 64. Shoes              |
| 49. Pen             | 65. Squashes           |
| 50. Pen drive       | 66. Suitcase/ airbag   |
| 51. Pencil          | 67. Sunglasses         |
| 52. Pickles         | 68. Tea                |
| 53. Razor           | 69. Tiffin Wallah      |
| 54. Ready Soups     | 70. Toothpaste         |
| 55. Refrigerator    | 71. Wallet             |
| 56. RO system       | 72. Washing detergent  |
| 57. Roasted snacks  | 73. Washing machine    |
| 58. Salt            | 74. Washing powder     |
| 59. Sarees          | 75. Water bottle       |
| 60. Sauces/ Ketchup | 76. Water storage tank |
| 61. Shampoo         | 77. Wipes              |
| 62. Shaving cream   |                        |

Any more as suggested by the teacher.

The teacher must ensure that the identified product should not be items whose consumption/use is discouraged by the society and government like alcohol products/pan masala and tobacco products, etc.

Identify one product/service from the above which the students may like to manufacture/provide [pre-assumption].

Now the students are required to make a project on the identified product/service keeping in mind the following:

1. Why have they selected this product/service?
2. Find out '5' competitive brands that exist in the market.
3. What permission and licences would be required to make the product?
4. What are your competitors Unique Selling Proposition.[U.S.P.]?
5. Does your product have any range give details?
6. What is the name of your product?
7. Enlist its features.
8. Draw the 'Label' of your product.
9. Draw a logo for your product.
10. Draft a tag line.
11. What is the selling price of your competitor's product?  
(i) Selling price to consumer  
(ii) Selling price to retailer  
(iii) Selling price to wholesaler

What is the profit margin in percentage to the

- ☐ Manufacturer.
- ☐ Wholesaler.
- ☐ Retailer.

12. How will your product be packaged?
13. Which channel of distribution are you going to use? Give reasons for selection?
14. Decisions related to warehousing, state reasons.
15. What is going to be your selling price?

- (i) To consumer
  - (ii) To retailer
  - (iii) To wholesaler
16. List 5 ways of promoting your product.
17. Any schemes for
- (i) The wholesaler
  - (ii) The retailer
  - (iii) The consumer
18. What is going to be your 'U.S.P'?
19. What means of transport you will use and why?
20. Draft a social message for your label.
21. What cost effective techniques will you follow for your product.
22. What cost effective techniques will you follow for your promotion plan.
- At this stage the students will realise the importance of the concept of marketing mix and the necessary decision regarding the four P's of marketing.
- ☐ Product
  - ☐ Place
  - ☐ Price
  - ☐ Promotion

On the basis of the work done by the students the project report should include the following.

1. Type of product /service identified and the (consumer/industries) process involve there in.
2. Brand name and the product.
3. Range of the product.
4. Identification mark or logo.
5. Tagline
6. Labeling and packaging.
7. Price of the product and basis of price fixation.
8. Selected channels of distribution and reasons thereof.
9. Decisions related to transportation and warehousing. State reasons.
10. Promotional techniques used and starting reasons for deciding the particular technique.
11. Grading and standardization

#### **Presentation and Submission of Project Report**

At the end of the stipulated term, each student will prepare and submit his/her project report.

Following essentials are required to be fulfilled for its preparation and submission.

1. The total length of the project will be of 25 to 30 pages.
2. The project should be handwritten.
3. The project should be presented in a neat folder.
4. The project report should be developed in the following sequence-
  - ☐ Cover page should include the title of the Project, student information, school and year.
  - ☐ List of contents.
  - ☐ Acknowledgements and preface (acknowledging the institution, the places visited and the persons who have helped).
  - ☐ Introduction.



- ☐ Topic with suitable heading.
- ☐ Planning and activities done during the project, if any.
- ☐ Observations and findings of the visit.
- ☐ Conclusions (summarized suggestions or findings, future scope of study).
- ☐ Photographs (if any).
- ☐ Appendix
- ☐ Teacher's observation.
- ☐ Signatures of the teachers.
- ☐ At the completion of the evaluation of the project, it should be punched in the centre so that the report may not be reused but is available for reference only.
- ☐ The project will be returned after evaluation. The school may keep the best projects.

### **ASSESSMENT**

Allocation of Marks = 20 Marks

The marks will be allocated under the following heads:

1	Initiative, cooperativeness and participation	2 Mark
2	Creativity in presentation	2 Mark
3	Content, observation and research work	4 Marks
4	Analysis of situations	4 Marks
5	Viva	8 Marks
	<b>Total</b>	<b>20 Marks</b>

QUESTION PAPER DESIGN YEAR 2018-19									
BUSINESS STUDIES			Code No. 054				CLASS XII		
Time: 3 hrs									
Max. Marks – 80									
S N	Typology of Questions	Learning Outcomes & Testing Skills	Very Short Answer (VSA) (1 Mark)	Short Answer -I (SA-I) (3 Mark s)	Short Answer -II (SA-II) (4 Marks)	Long Answer (LA) (5 Marks)	Essay Type (6 Marks )	Total Marks	% Wei ghts ge
1.	<b>Remembering-</b> (Knowledge based Simple recall questions, to know specific facts, terms, concepts, principles, or theories; Identify, define, or recite, information)	<ul style="list-style-type: none"><li>Reasoning</li><li>Analytical Skills</li><li>Critical Skills</li></ul>	2	1	1	1	-	14	17%
2.	<b>Understanding-</b> (Comprehension –to be familiar with meaning and to understand conceptually, interpret, compare, contrast, explain, paraphrase, or interpret information)		2	2	1	-	1	18	23%
3.	<b>Application-</b> (Use abstract information in concrete situation, to apply knowledge to new situations; Use given content to interpret a situation, provide an example, or solve a problem)		2	1	1	1	1	20	25%
4.	<b>High Order Thinking Skills-</b> (Analysis & Synthesis)Classify, compare, contrast, or differentiate between different pieces of information; Organize and/or integrate unique pieces of information from a variety of sources)		2	1	2	-	1	19	24%
5.	<b>Evaluation-</b> (Appraise, judge, and/or justify the value or worth of a decision or outcome, or to predict outcomes based on values)		-	-	1	1	-	09	11%
TOTAL - 1 project (20 Marks)			8x1=8	5x3=15	6x4= 24	3x5= 15	3x6= 18	80(25) project (20)	100 %
Estimated Time (in minutes)			8 min	27 min	30 min	40 min	60 min	165 min+15 min for revision	

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## This image shows a single page of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page, leaving small margins at the top and bottom. There is no handwriting or other markings on the paper.

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