

AT A GLANCE

ACCOUNTANCY | BUSINESS STUDIES | ECONOMICS

For Class XII Students



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CS-FOUND (JUNE 2018)



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QASIM SAIF
CS-FOUND. (DEC. 2017)



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CA-FINAL-NOV. 2017)



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M.COM.
PREVIOUS | FINAL

Accountancy

1. Financial Statement of Not-for Profit Organizations

Treatment of Membership Subscriptions

Dr.		Subscription Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d (<i>outstanding at the beginning</i>)	xxx	By Balance b/d (<i>opening advance subscription</i>)	xxx		
To Income and Expenditure A/c (Bal. Fig.)	xxx	By Receipt and Payment A/c (<i>total subscription received</i>)	xxx		
To Balance c/d (<i>closing advance subscription</i>)	xxx	By Balance c/d (<i>outstanding at the end</i>)	xxx		
	xxxx		xxxx		

➤ Treatment of Expenses (e.g. Salary, Rent, etc.)

Particulars	Amount (₹)
Expenses paid during the year (as per Receipts and Payment A/c) Less: Opening outstanding expenses	xxx (xxx)
Add: Closing outstanding expenses	xxx
Add: Opening prepaid/advance expenses	xxx
Less: Closing prepaid/advance expenses	(xxx)
Expenses to be shown in Income and Expenditure A/c	xxxx

➤ Special Funds (e.g. match fund, sports fund, building fund, etc.)

Balance Sheet (an extract)

Liabilities	Amount (₹)	Assets	Amount (₹)
<u>Match Fund</u>		x% Match Fund Investment	xxx
Opening balance	xxx	Accrued interest on match fund investment	xxx
Add: Income (interest) from match fund investment received	xxx		
Add: Accrued income (interest) on match fund investment	xxx		
Add: Donation for match fund	xxx		
Add: Sale of match tickets	xxx		
Less: Match Expenses	(xxx)		
	xxxx		

Preparation of Receipt and Payment Account
Receipt and Payment Account for the year ending

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d		By Balance b/d (Bank overdraft)*	xxx
Cash in Hand	xxx	By Wages and Salaries	xxx
Cash at Bank*	xxx	By Rent	xxx
To Subscriptions from members	xxx	By Rates and Taxes (e.g. Municipal Taxes)	xxx
To General Donations	xxx	By Electricity and Water charges	xxx
To Entrance fees/Admission fees	xxx	By Miscellaneous Expenses	xxx
To Sale of old newspapers/periodicals/waste papers	xxx	By Insurance Premium	xxx
To Sale of old sports materials	xxx	By Sports Materials	xxx
To Interest on fixed deposits with banks/Interest on Bank Deposits	xxx	By Printing and Stationery	xxx
To Interest/Dividend on general investments	xxx	By Postage and courier charges	xxx
To Locker Rent/Rent received	xxx	By Advertisement	xxx
To Sale of scraps	xxx	By Sundry expenses	xxx
To Proceeds from charity show	xxx	By Telephone charges	xxx
To Miscellaneous receipts	xxx	By Entertainment expenses	xxx
To Grants-in-aid	xxx	By Audit fees	xxx
To Legacies	xxx	By Honorarium	xxx
To Life membership fees	xxx	By Repairs and Renewals	xxx
To Specific Donations e.g. Donation for Gym	xxx	By Upkeep of ground	xxx
To Sale of Investments	xxx	By Charity	xxx
To Sale of Fixed Assets	xxx	By Conveyance charges	xxx
To Receipts on account of specific funds	xxx	By Newspapers	xxx
To Interest/Dividend on specific funds investments	xxx	By Subscription for Periodicals/Magazines	xxx
To Balance c/d (Bank Overdraft)*		By x% Fixed Deposits with Banks	xxx
		By Purchases of Assets e.g. Machinery, Computers, etc.	xxx
		By Purchase of Investments	xxx
		By Balance c/d	
		Cash in hand	
		Cash at Bank*	
	xxxxx		xxxxx

 ➤ **Preparation of Income and Expenditure Account**

Income and Expenditure Account for the year ending

Expenditure	Amount (₹)	Income	Amount (₹)
To Charities	xxx	By Interest on General Fund Investment	xxx
To Tournament Expenses (if there is no tournament fund)	xxx	By Fees or Profit from Entertainment	xxx
To Salaries and Wages	xxx	By Subscription	xxx
To Consumables	xxx	By Entrance Fees/Admission Fees	xxx
To Rent, Rates and Taxes	xxx	By Interest/Income from Investment (e.g. Interest on Govt. Bonds/Defence Bonds, Interest on Fixed Deposits with banks)	xxx
To Postage, Stamps, Courier charges	xxx	By Miscellaneous Receipts	xxx
To Telephone/Electricity charges	xxx	By Locker Rent	xxx
To Advertising	xxx	By Hall Rent/Hire of ground for marriage	xxx
To Sundry (or miscellaneous) expenses	xxx	By General Donation	xxx
To Entertainment expenses	xxx	By Sale of old sports material, old newspapers, old magazines, old periodicals, waste-paper scraps	xxx
To Upkeep of field and pavilion, Grass seeds, etc.	xxx	By Profit on sale of assets/old assets	xxx
To Depreciation on fixed assets	xxx		
To Fixed assets destroyed	xxx		
To Loss on sale of fixed assets	xxx		

To Loss on sale of investment	xxx	By Govt. grants in aid (of recurring nature) (e.g. cash subsidy from government)	xxx
To Insurance Premium	xxx		
To General expenses (e.g. help to needy students)	xxx	By Sale of food stuff (Refreshment Revenue) Less: Purchase of food stuff (Refreshment Expenses)	xxx
To Charity Show expenses Less: Charity Show Receipts (If charity show expenses exceed receipts)	xxx	By Profit on Sports	xxx
To Conveyance/Travelling expenses	xxx	By Receipts from Charity Show Less: Charity show Expenses (If charity show receipts exceed expenses)	xxx
To Honorarium (e.g. payment to an artist, lecturer's fees)	xxx		
To Subscription paid for periodicals, magazines, newspapers	xxx		
To Audit Fees/Tuition fees/Meeting expenses	xxx		
To Office expenses	xxx	By Deficit (Excess of expenditure over income)	xxx
To Repairs and Renewals	xxx		
To Expenses on Nukar Drama	xxx		
To Interest paid on Loan	xxx		
To Surplus (Excess of income over expenditure)	xxx		
	xxxxx		xxxxx

➤ **Preparation of Balance Sheet**

Balance Sheet of as on

Liabilities	Amount (₹)	Assets	Amount (₹)
<ul style="list-style-type: none"> • Capital fund/General Fund Opening Balance xxx Add: Surplus (or Less: Deficit) xxx Add: Legacies xxx Add: Life Membership Fees xxx Add: Entrance Fees (Caplitalised portion) xxx • Special Fund (e.g. match fund) xxx • Specific Donations (e.g. for Billiards Table) xxx • Endowment Fund xxx • Loan xxx • Income Received in Advance (Locker rent advance) xxx • Outstanding Expenses xxx • Creditors for Consumables (e.g. Stationery) xxx • Subscription Received in Advance xxx • Bank Overdraft xxx 	xxxxx	<ul style="list-style-type: none"> • Cash in hand and /or Cash at Bank xxx • Fixed Deposits with Banks xxx • Interest Accrued on Investments xxx • Interest Accrued on Bank Deposits xxx • Accrued Income (e.g. o/s locker rent) xxx • Playground xxx • Prepaid Expenses xxx • General Fund Investment xxx • Special Fund Investment xxx • Interest Accrued on Special Fund Investment xxx • Stock of Consumables (like Stationery) xxx • Advance Paid to Creditors/Suppliers of Consumables (like Stationery) xxx • Subscription Outstanding (Accrued) xxx • Fixed Assets (e.g. Building, Sports Equipment, Machinery, Furniture, Books, Billiards Table, TV set, etc.) Opening Balance xxx Add: Purchase during the year xxx Less: Book Value of Sales during the year (xxx) Less: Depreciation (xxx) • Investments (e.g. x% Bonds or Govt. Papers, x% Defence Bonds, etc.) xxx Opening Balance xxx Add: Purchases during the year xxx Less: Sale during the year (xxx) xxx 	xxxxx

2. Accounting for Partnership Firms

➤ Maintenance of Capital Accounts of Partners

1. Fixed Capital Method

Partner's Capital Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c (<i>withdrawal of capital</i>)	xxx		By Balance b/d (<i>opening balance</i>)	xxx
	To Balance c/d (<i>closing balance</i>)	xxx		By Bank A/c (<i>additional capital</i>)	xxx
		xxx			xxx

Partner's Current Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Balance b/d (<i>Dr. opening balance</i>)	xxx		By Balance b/d (<i>Cr. opening balance</i>)	xxx
	To Bank A/c (<i>Drawings</i>)	xxx		By Interest on capital	xxx
	To Interest on drawings	xxx		By Salary	xxx
	To Profit & Loss A/c (<i>Share of loss</i>)	xxx		By Commission	xxx
	To Balance c/d (<i>Cr. closing balance</i>)	xxx		By Profit & Loss Appropriation A/c (<i>share of profit</i>)	xxx
		xxx		By Balance c/d (<i>Dr. closing balance</i>)	xxx

2. Fluctuating Capital Method

Partner's Capital Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c (<i>withdrawal of capital</i>)	xxx		By Balance b/d	xxx
	To Bank A/c (<i>Drawings</i>)	xxx		By Bank (<i>fresh capital introduced</i>)	xxx
	To Interest on drawings	xxx		By Interest on capital	xxx
	To Profit and Loss A/c (<i>for share of loss</i>)	xxx		By Salary/Commission	xxx
	To Balance c/d	xxx		By Profit and Loss Appropriation A/c (<i>for share of profit</i>)	xxx
		xxx			xxx

➤ Distribution of Profit among Partners

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1.	Transfer of the balance of Profit and Loss Account to Profit and Loss Appropriation Account			
(a)	<i>If Profit and Loss Account shows a credit balance (net profit):</i> Profit and Loss A/c Dr. To Profit and Loss Appropriation A/c			
(b)	<i>If Profit and Loss Account shows a debit balance (net loss):</i> Profit and Loss Appropriation A/c Dr. To Profit and Loss A/c			
2.	Interest on Drawings			
(a)	<i>For charging interest on drawings to partners' capital/current A/cs:</i> Partners' Capital/Current A/cs (<i>individually</i>) Dr.			
(b)	To Interest on Drawings A/c <i>For transferring interest on drawings to Profit and Loss Appropriation A/c:</i> Interest on Drawings A/c Dr. To Profit and Loss Appropriation A/c			
3.	Interest on Capital			
(a)	<i>For crediting interest on capital to partners' capital/current A/cs:</i> Interest on Capital A/c Dr.			
(b)	To Partner's Capital/Current A/cs (<i>individually</i>) <i>For transferring interest on capital to Profit and Loss Appropriation A/c:</i> Profit and Loss Appropriation A/c Dr. To Interest on Capital A/c			

4.	Partner's Salary			
(a)	For crediting salary to partner's capital/current A/cs: Partner's Salary A/c	Dr.		
(b)	To Partners' Capital/Current A/cs (individually) For transferring salary to Profit and Loss Appropriation Account: Profit and Loss Appropriation A/c	Dr.		
	To Partner's Salary A/c			
5.	Partner's Commission			
(a)	For crediting commission to partners' capital/current A/cs: Partner's Commission A/c	Dr.		
(b)	To Partners' Capital/Current A/cs (individually) For transferring commission to Profit and Loss Appropriation A/c: Profit and Loss Appropriation A/c	Dr.		
	To Partner's Commission A/c			
6.	Transfer a proportion of net profit to General Reserve A/c Profit and Loss Appropriation A/c	Dr.		
	To General Reserve A/c			
7.	Share of Profit or Loss after appropriations			
(a)	For distribution of share of profit after appropriations in profit sharing ratio: Profit and Loss Appropriation A/c	Dr.		
(b)	To Partners' Capital/Current A/cs (individually) For distribution of share of loss after appropriations in profit sharing ratio: Partners' Capital/Current A/cs (individually)	Dr.		
	To Profit and Loss Appropriation A/c			

Dr.		Cr.	
Profit and Loss Appropriation A/c			
Particulars	Amount (₹)	Particulars	Amount (₹)
1. To Profit and Loss A/c (Net Loss)	xxx	1. By Profit and Loss A/c (Net Profit)	xxx
3. To Interest on Capital (individually)	xxx	2. By Interest on Drawings (individually)	xxx
4. To Partner's Salary (individually)	xxx	7. By Loss transferred to Partners' Capital/ Current A/c (individually in their profit sharing ratio)	xxx
5. To Partner's Commission (individually)	xxx		
6. To Transfer to General Reserve	xxx		
7. To Profits transferred to Partners' Capital/ Current A/c (individually in their profit sharing ratio)	xxx		
	xxxx		xxxx

3. Goodwill, Admission of a New Partner and Change in Profit Sharing Ratio

➤ Treatment of Goodwill: New partner brings goodwill in cash

1. Goodwill (premium) paid through the firm which is retained in the business

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Cash/ Bank A/c		Dr.	
	To Premium for Goodwill A/c (Amount brought by new partner as premium)			
	Premium for Goodwill A/c		Dr.	
	To Existing Partners' Capital A/c (Individually) (Goodwill distributed among the existing partners in their sacrificing ratio)			

2. Goodwill (premium) brought by the new partner and the same withdrawn by the sacrificing partners fully or partly.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Existing Partner's Capital A/c (<i>Individually</i>) To Cash/Bank A/c (Being amount of goodwill withdrawn by the existing partners)	Dr.		

3. When the new partner brings in his share of goodwill in cash and goodwill already exists in the Balance Sheet.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Old Partners' Capital/Current A/c (<i>individually</i>) To Goodwill A/c (Being existing goodwill written-off in old ratio)	Dr.		

➤ **Treatment of Goodwill: New partner does not bring goodwill premium**

1. Goodwill Account is raised and written off at its full value.

A. When no goodwill exists in the books

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	(i) For raising goodwill at full value in the old ratio Goodwill A/c To Old Partners' Capital/Current A/cs (<i>individually</i>)	Dr.		
	(ii) For writing off goodwill at full value in the new ratio All Partners' Capital/Current A/cs (<i>individually</i>) To Goodwill A/c	Dr.		

B. When goodwill already exists in the books

(i) *When the value of goodwill appearing in the books is less than the valued goodwill*

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Goodwill A/c (<i>valued goodwill – existing goodwill</i>) To Old Partners' Capital/Current A/cs (<i>individually</i>) (Goodwill raised in old ratio)	Dr.		
	All Partners' Capital/Current A/cs (<i>individually</i>) To Goodwill A/c (<i>valued goodwill</i>) (Goodwill written off in new ratio)	Dr.		

(ii) *When the value of goodwill appearing in the books is more than the valued goodwill*

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Old Partners' Capital/Current A/c (<i>individually</i>) (<i>existing goodwill – valued goodwill</i>) To Goodwill A/c (Goodwill written off in old partners' accounts in old ratio)	Dr.		
	All Partners' Capital/Current A/c (<i>individually</i>) To Goodwill A/c (<i>valued goodwill</i>) (Goodwill written off in new ratio)	Dr.		

2. Goodwill is adjusted through Partners' Capital/Current Accounts

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	New Partner's Capital/Current A/c (<i>his share of goodwill</i>) To Old Partners' Capital/Current A/c (<i>individually</i>) (Goodwill adjusted through Old Partners' Capital/Current Accounts in their sacrificing ratio)	Dr.	4,000	1,000 3,000

➤ **Adjustment for Accumulated Profits and Losses**

1. Accumulated Profits:

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Reserve A/c/Profit and Loss A/c To Old Partners' Capital/Current A/cs (<i>individually</i>) (Being accumulated profits distributed in old profit sharing ratio)	Dr.		

2. Accumulated Losses:

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Old Partners' Capital/Current A/cs (<i>individually</i>) To Profit and Loss A/c (Being accumulated losses distributed in old profit sharing ratio)	Dr.		

➤ **Revaluation of Assets and Reassessment of Liabilities**

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1.	For increase in the value of an asset: Asset A/c (gain) To Revaluation A/c	Dr.		
2.	For reduction in the value of a liability: Liability A/c (gain) To Revaluation A/c	Dr.		
3.	For recording or selling an unrecorded asset: Unrecorded Asset A/c or Cash/Bank A/c To Revaluation A/c	Dr.		
4.	For reduction in the value of an asset: Revaluation A/c To Asset A/c (loss)	Dr.		
5.	For increase in the amount of a liability: Revaluation A/c To Liability A/c (loss)	Dr.		
6.	For recording or making payment of an unrecorded liability: Revaluation A/c To Unrecorded Liability A/c or Cash/Bank A/c	Dr.		
7.(a)	For transfer of gain on revaluation in old ratio: Revaluation A/c To Old Partners' Capital/Current A/cs (<i>individually</i>)	Dr.		
	Or			
(b)	For transferring loss on revaluation in old ratio: Old Partners' Capital/ Current A/cs (<i>individually</i>) To Revaluation A/c	Dr.		

Dr.		Revaluation A/c (or Profit and Loss Adjustment A/c)		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)	Particulars	Amount (₹)
4. To Asset A/c (<i>Decrease in value of Asset</i>)	xxx	1. By Asset A/c (<i>Increase in value of asset</i>)	xxx		
5. To Liability A/c (<i>Increase in amount of liability</i>)	xxx	2. By Liability A/c (<i>Decrease in amount of liability</i>)	xxx		
6. To Unrecorded Liability or Cash/Bank A/c	xxx	3. By Unrecorded Asset or Cash/Bank A/c	xxx		
7. (a) To Profit credited to old partners' capital/ current A/cs (<i>individually</i>) in old profit sharing ratio	xxx	7. (b) By Loss debited to old partners' capital/ current A/cs (<i>individually</i>) in old profit sharing ratio	xxx		
	xxxx		xxxx		

➤ **Treatment of Workmen's Compensation Fund/Reserve**
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Workmen's Compensation Fund A/c To Workmen's Compensation Claim A/c To A's Capital/Current A/c To B's Capital/Current A/c (Being workmen's compensation claim set off from Workmen's Compensation Fund and the Surplus distributed between Old Partners in their old ratio)	Dr.		
	OR			
	Workmen's Compensation Fund A/c Revaluation A/c To Workmen's Compensation Claim A/c (Being workmen's compensation claim set off from Workmen's Compensation Fund and revaluation A/c)	Dr. Dr.		

➤ **Treatment of Investment Fluctuation Fund/Reserve**
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Investment Fluctuation Fund A/c To Investments A/c To X's Capital/Current A/c To Y's Capital/Current A/c (Being fall in value of investment set off from Investment Fluctuation Fund and the Surplus distributed between Old Partners in their old ratio)	Dr.		
	OR			
	Investment Fluctuation Fund A/c Revaluation A/c To Investments A/c (Being fall in value of investment set off from Investment Fluctuation Fund and revaluation A/c)	Dr. Dr.		

➤ **Change in Profit Sharing Ratio among the Existing Partners**

I Method: Adjustment of goodwill through partners' capital/current accounts
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Gaining Partner's Capital/Current A/c To Sacrificing Partner's Capital/Current A/c (Adjustment of goodwill made between partners due to change in profit sharing ratio)	Dr.		

II Method: Raising goodwill at its full value in the old profit sharing ratio and then writing it off in the new ratio
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Goodwill A/c To Partner's Capital/Current A/c (<i>individually</i>) (Being goodwill raised at its full value in the old profit sharing ratio)	Dr.		
	Partner's Capital/Current A/c (<i>individually</i>) To Goodwill A/c (Being goodwill written off at its full value in the new profit sharing ratio)	Dr.		

4. Reconstitution of a Partnership Firm : Retirement / Death of a Partner

➤ Treatment of Goodwill

I Method: Goodwill is raised at its full value and written off immediately

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	For raising goodwill at its full value:			
	Goodwill A/c Dr. To All Partners' Capital/Current A/cs (<i>individually</i>) (Being goodwill raised at full value and credited to all the partners in their old profit sharing ratio)			
	For writing off goodwill:			
	Remaining Partners' Capital/Current A/cs (<i>individually</i>) Dr. To Goodwill A/c (Being goodwill written off and debited to remaining partners in the new ratio)			

II Method: Goodwill is adjusted directly through partners' capital/current accounts

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Continuing Partners' Capital/Current A/cs (<i>individually</i>) Dr. To Retiring/Deceased Partner's Capital A/c (Retiring/deceased compensated by the remaining partners in their gaining ratio)			

➤ Adjustment of Accumulated Profits and Losses

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	For transfer of accumulated profits (reserves):			
	Reserves A/c Dr. Profit and Loss A/c Dr. To All Partners' Capital/Current A/cs (<i>Individually</i>) (Being reserves/accumulated profits transferred to all partners' capital/current accounts in old profit sharing ratio)			
	For transfer of accumulated losses:			
	All Partners' Capital/Current A/cs (<i>Individually</i>) Dr. To Profit and Loss A/c (Being accumulated loss transferred to all partners' capital/current accounts in their old profit-sharing ratio)			

➤ Disposal of Amount Due to Retiring Partner

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	When retiring partner is paid cash in full:			
	Retiring Partners' Capital A/c Dr. To Cash/Bank A/c			
	When retiring partner's whole amount is treated as loan:			
	Retiring Partner's Capital A/c Dr. To Retiring Partner's Loan A/c			

<p>When retiring partner is partly paid in cash and the remaining amount treated as loan:</p> <p>Retiring Partner's Capital A/c (Total Amount due)Dr. To Cash/Bank A/c (Amount Paid) To Retiring Partner's Loan A/c (Amount of Loan)</p>		
<p>When Loan account is settled by paying in installment includes principal and interest:</p> <p>(a) For interest on loan</p> <p>Interest A/c Dr. To Retiring Partner's Loan A/c</p> <p>(b) For payment of installment</p> <p>Retiring Partner's Loan A/c Dr. To Cash/Bank A/c</p>		

5. Dissolution of a Partnership Firm

➤ Preparation of Realisation Account

Dr.	Realisation Account		Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
<p>1. To Sundry Assets (excluding cash, bank and the fictitious assets) transferred:</p> <p>Land and Building xxx Plant and Machinery xxx Furniture and Fittings xxx Bills receivables xxx Sundry debtors xxx</p>		<p>2. By External Liabilities (including provisions, if any) transferred:</p> <p>Sundry creditors xxx Bills payables xxx Bank overdraft xxx Outstanding expenses xxx Partner's relative's loan xxx Provision for doubtful debts xxx Provision for depreciation xxx Investment Fluctuation Fund xxx</p>	
<p>5. To Cash/Bank (payment of liabilities) xxx</p>		<p>3. By Cash/Bank A/c xxx (sale/realisation of assets)</p>	
<p>6. To Partner's Capital /Current A/c (liability assumed by the partner)</p>		<p>4. By Partner's Capital /Current A/c xxx (assets taken by the partner)</p>	
<p>7. (b) To Cash/Bank A/c xxx (payment to creditor as amount due exceeds the agreed value of asset taken over)</p>		<p>7. (c) By Cash/ Bank A/c xxx (amount received from creditor as value of asset taken over exceeds the amount due)</p>	
<p>8. (a) To Cash/Bank A/c xxx (payment of realisation expenses)</p>		<p>9. By Cash/Bank A/c xxx (sale of unrecorded assets including goodwill, if any)</p>	
<p>(b) To Partner's Capital /Current A/c xxx (realisation expenses paid by the partner)</p>		<p>11. (b) By Partner's Capital/ Current A/c (individually) xxx (Loss transferred to partners' capital /Current accounts in their profit sharing ratio)</p>	
<p>(c) (i) To Partner's Capital/Current A/c xxx (remuneration/commission paid to the partner)</p>			
<p>10. To Cash/Bank A/c xxx (payment of unrecorded liabilities)</p>			
<p>11. (a) To Partner's Capital /Current A/c (individually) xxx (Profit transferred to partners' capital / Current accounts in their profit sharing ratio)</p>			
	xxxxx		xxxxx

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	1. For transfer of assets			
	Realisation A/c (<i>Book value</i>)	Dr		
	To Assets (Individually) A/c	.		
	2. For transfer of external liabilities including provisions, if any			
	External Liabilities (individually) A/c (<i>Book value</i>)	Dr		
	To Realisation A/c	.		
	3. For sale/realisation of assets			
	Cash/Bank A/c (<i>realised amount</i>)	Dr		
	To Realisation A/c	.		
	4. For an asset taken over by a partner			
	Partner's Capital/Current A/c	Dr		
	To Realisation A/c	.		
	5. For payment of liabilities			
	Realisation A/c	Dr		
	To Cash/Bank A/c	.		
	6. For a liability which a partner takes responsibility to discharge			
	Realisation A/c	Dr		
	To Partner's Capital/Current A/c	.		
	7. For settlement with the creditor through transfer of assets			
	(a) <i>When a creditor accepts an asset in full and final settlement of his account:</i>			
	No journal entry			
	(b) <i>If the creditor accepts an asset only as part payment of his/her dues, the entry will be made for cash payment only.</i>			
	Realisation A/c	Dr.		
	To Cash/Bank A/c			
	(c) <i>When a creditor accepts an asset whose value is more than the amount due to him, he/ she will pay cash to the firm for the difference.</i>			
	Cash/Bank A/c	Dr.		
	To Realisation A/c			
	8. Realisation Expenses			
	(a) <i>When realisation expenses are paid by the firm:</i>			
	Realisation A/c	Dr.		
	To Cash/Bank A/c			
	(b) <i>When realisation expenses are paid by a partner on behalf of the firm:</i>			
	Realisation A/c	Dr.		
	To Partner's Capital/Current A/c			
	(c) <i>When a partner has agreed to undertake the dissolution work for an agreed remuneration (e.g. commission) and bears the actual realisation expenses:</i>			
	(i) <u>For agreed remuneration to such partner</u>			
	Realisation A/c	Dr.		
	To Partner's Capital /Current A/c			
	(ii) <u>For payment of realisation expenses</u>			
	• <i>If the partner himself incurs/pays the realisation expenses: No journal entry</i>			
	• <i>If payment of realisation expenses is made by the firm on behalf of the partner:</i>			
	Partner's Capital /Current A/c	Dr.		
	To Cash/Bank A/c			

<p>9. For settlement of unrecorded assets</p> <p>(i) <i>If an unrecorded asset is taken over by a partner:</i></p> <p>Partner's Capital/Current A/c Dr. To Realisation A/c Dr.</p> <p>(ii) <i>If unrecorded assets are sold:</i></p> <p>Cash/Bank A/c To Realisation A/c</p>			
<p>10. For settlement of any unrecorded liability or contingent liability</p> <p>Realisation A/c Dr. To Cash/Bank A/c</p>			
<p>11. For transfer of profit or loss on realisation</p> <p>(a) <i>In case of profit on realisation</i> Dr.</p> <p>Realisation A/c To Partners' Capital /Current A/c (individually)</p>			
<p>(b) <i>In case of loss on realisation</i> Dr.</p> <p>Partners' Capital /Current A/c (individually) To Realisation A/c</p>			
<p>12. For transfer of accumulated profits (reserve fund or general reserve or credit balance of profit and loss account) and Workmen's Compensation Fund</p> <p>Reserve Fund/General Reserve/Profit and Loss A/c Dr. Workmen's Compensation Fund A/c Dr. To Partners' Capital /Current A/c (individually)</p>			
<p>13. For transfer of fictitious assets (e.g. debit balance of profit and loss account, deferred revenue advertisement expenditure, etc.) to partners' capital/current accounts in their profit sharing ratio</p> <p>Partners' Capital /Current A/c (individually) Dr. To Fictitious Asset A/c</p>			
<p>14. Settlement of partner's loan</p> <p>(a) For settlement of loan advanced by a partner (appearing on the liabilities side of the balance sheet)</p> <p>(i) <i>If the partner's loan is settled at the same amount:</i></p> <p>Partner's Loan A/c Dr. To Cash/Bank A/c</p> <p>(ii) <i>If the partner's loan is settled at a loss to the firm:</i></p> <p>Partner's Loan A/c Dr. Realisation A/c Dr. To Cash/Bank A/c</p> <p>(iii) <i>If the partner's loan is settled at a profit to the firm, the journal entry will be:</i></p> <p>Partner's Loan A/c Dr. To Cash/Bank A/c To Realisation A/c</p> <p>(b) For settlement of loan given to a partner by the firm (appearing on the asset side of the Balance Sheet):</p> <p>Partner's Capital/Current A/c Dr. To Loan to Partner A/c</p>			
<p>15. For settlement of partners' capital accounts</p> <p>(a) <i>If the partner's capital account shows a credit balance, the same must be paid to the partner.</i></p> <p>Partners' Capitals A/cs (individually) Dr. To Cash/Bank A/c</p> <p>(b) <i>If any partner's capital account shows a debit balance, he brings in the necessary cash.</i></p> <p>Cash/Bank A/c Dr. To Partner's Capital A/c</p>			

6. Accounting for Share Capital

➤ **Disclosure of Share Capital in Balance Sheet of a Company**

Balance Sheet of _____ as at _____ (As per Schedule III of the Companies Act, 2013)

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds	1.		
(a) Share Capital			

Notes to Accounts:

Note No. 1: Share Capital

Particulars	Current Year (₹)	Previous Year (₹)
Authorised or Registered or Nominal Capital:		
... shares of ₹ each		xxx
Issued Capital:	xxx	
.... shares of ₹ each issued to public	xxx	
.... shares of ₹ each issued to vendor	xxx	xxx
.... shares of ₹ each issued to the signatories to the MOA		
Subscribed Capital:		
<u>Subscribed and fully paid capital</u>	xxx	
'x' shares of ₹ each issued to public	xxx	
... shares of ₹ each fully paid issued to vendor	xxx	xxx
.... shares of ₹ each issued to the signatories to the MOA		
<u>Subscribed but not fully paid capital</u>	xxx	
'x' shares of ₹ each issued to public, ₹y each called up	(xxx)	xxx
Less: Calls-in-arrears*	xxx	
Shares forfeiture account**		xxx

*Only if shares are not forfeited. **Only if forfeited shares are not reissued.

➤ **Accounting Treatment– Issue of Shares to the Public On application**

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Being amount received on application for _____ shares @ ₹_per share including premium, if any)			

On allotment

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	For Transfer of Application Money			
	Share Application A/c Dr. To Share Capital A/c ¹ To Securities Premium A/c ² To Calls-in-Advance A/c ³ (Allotment + Call(s)) To Bank A/c ⁴ (Being application money on _ shares transferred to Share Capital)			
	For Amount Due on Allotment			
	Share Allotment A/c ⁵ Dr. To Share Capital A/c ⁶ To Securities Premium A/c ⁷ (Being allotment money due on _ shares allotted @ ₹_____per share)			
	For Receipt of Allotment Money			
	Bank A/c ¹⁰ Dr. Calls-in-Advance A/c ⁸ Dr. Calls-in-Arrears A/c ⁹ Dr. To Share Allotment A/c ⁵ (Being allotment money received on _____ Shares @ ₹_per share)			

1. No. of shares issued and subscribed × Application money rate without premium
2. No. of shares issued and subscribed × Securities premium included in application money rate
3. Excess application money adjusted in allotment and/or call(s) money
4. (No. of shares rejected × Application money rate including premium) + Refund of excess application money after adjusting in allotment and/or call(s).
5. No. of shares issued and subscribed × Allotment money rate including premium
6. No. of shares issued and subscribed × Allotment money rate without premium
7. No. of shares issued and subscribed × Securities premium included in allotment money rate
8. Excess application money adjusted in allotment money
9. Unpaid allotment money
10. (5) – (8) – (9) i.e. (No. of shares issued and subscribed × Allotment money rate including premium) – Excess application money adjusted in allotment – Unpaid allotment money

On Calls

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	For Call Amount Due Share Call A/c ¹¹ Dr. To Share Capital A/c ¹² To Securities Premium A/c ¹³ (Being call money due on Shares @ ₹__ per share including premium)			
(ii)	For Receipt of Call Amount Bank A/c ¹⁶ Dr. Calls-in-Advance A/c ¹⁴ Dr. Calls-in-Arrears A/c ¹⁵ Dr. To Share Call A/c ¹¹ (Being call money received)			

11. No. of shares issued and subscribed × Call money rate including premium
12. No. of shares issued and subscribed × Call money rate without premium
13. No. of shares issued and subscribed × Securities premium included in call money rate
14. Excess application money adjusted in call money
15. Unpaid call money
16. (11) – (14) – (15) i.e. (No. of shares issued and subscribed × Call money rate including premium) – Excess application money adjusted in call money – Unpaid call money

Forfeiture of Shares

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c ¹⁷ Dr. *Securities Premium A/c ¹⁸ Dr. To Share Forfeiture A/c ¹⁹ To Calls in Arrears A/c ²⁰ (Being ___ shares forfeited for non-payment of allotment money and calls made)			

17. Number of shares forfeited × Called up amount rate without premium
18. Number of shares forfeited × Premium amount per share not received
*Securities Premium Reserve A/c is debited only if premium money is not received on the forfeited shares.
Thus, if the defaulter shareholder has paid the full premium amount, Securities Premium Reserve A/c will not be debited.
19. Amount already received on forfeited shares. But it does not include premium amount.
20. Total unpaid allotment and/or calls amount on forfeited shares including premium

Re-issue of Forfeited Shares

Reissue at par/paid-up value

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Capital A/c (Being forfeited shares reissued at par)			

Re-issue at premium (i.e. at a price more than paid-up value)

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c To Share Capital A/c To Securities Premium A/c (Being forfeited shares reissued at premium)	Dr.		

Reissue at Discount (i.e. at a price less than paid-up value)

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (@ re-issued price) Shares Forfeited A/c (Discount on re-issue) To Share Capital A/c (@ paid-up value) (Being forfeited shares reissued at discount)	Dr. Dr.		

The balance of Share Forfeiture Account relating to reissued shares only, should be treated as capital profit and transferred to Capital Reserve Account. The journal entry will be:

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Shares Forfeited A/c To Capital Reserve A/c (Being balance of shares forfeited account after re-issue transferred to capital reserve account)	Dr.		

➤ **Issue of Shares for Consideration other than Cash Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	1. On purchase of business Sundry Assets A/c (<i>individually</i>) *Goodwill A/c (if purchase consideration > Net assets taken over) To Sundry Liabilities A/c (<i>individually</i>) To Vendor's A/c (purchase consideration) To *Capital Reserve A/c (if purchase consideration < Net assets taken over) (Being business purchased from the vendor)	Dr. Dr.		
	2. For payment through cash/cheque/bank draft Vendor's A/c To Bank A/c (Being part payment through cash/cheque/bank draft) OR For payment through bills of exchange/acceptance/promissory note Vendor's A/c To Bills Payable A/c (Being part payment through bills of exchange/acceptance/promissory note)	Dr.		
	3. On issue of shares (a) <i>At par</i> Vendor's A/c To Share Capital A/c (Being shares issued at par for the remaining payment) (b) <i>At premium</i> Vendor's A/c To Share Capital A/c To Securities Premium A/c (Being shares issued at premium for the remaining payment)	Dr. Dr.		

* Either of the two will appear.

7. Issue of Debentures

➤ Issue of Debentures for Cash

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	On receipt of application money			
	Bank A/c Dr. To x% Debenture Application A/c			
	For adjustment of applications money on allotment			
	x% Debenture Application A/c Dr. To x% Debentures A/c To Securities Premium A/c			
	For allotment money due			
	x% Debenture Allotment Dr. A/c To x% Debentures A/c To Securities Premium A/c Dr.			
	OR			
	x% Debenture Allotment A/c Dr. Discount on Issue of Debenture A/c To x% Debentures A/c			
	On receipt of allotment money			
	Bank A/c Dr. To x% Debenture Allotment A/c			

terms of Issue of Debentures

1. Issued at par and redeemable at par

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	For receipt of application money			
	Bank A/c Dr. To x% Debenture Application & Allotment A/c			
	For allotment of debentures			
	x% Debenture Application & Allotment A/c Dr. To x% Debentures A/c			

Issued at a discount and redeemable at par

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	For receipt of application money			
	Bank A/c Dr. To x% Debenture Application & Allotment A/c			
	For allotment of debentures at a discount			
	x% Debenture Application & Allotment A/c Dr. Discount on Issue of Debentures A/c Dr. To x% Debentures A/c			

1. Issued at premium and redeemable at par

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	For receipt of application money			
	Bank A/c Dr. To x% Debenture Application & Allotment A/c			
	For allotment of debentures at a premium			
	x% Debenture Application & Allotment A/c Dr. To x% Debentures A/c (with nominal value of debenture) To Securities Premium Reserve A/c (with premium on issue)			

2. Issued at par and redeemable at a premium
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	For receipt of application money			
	Bank A/c Dr. To Debenture Application & Allotment A/c			
	For allotment of debentures at par and redeemable at premium			
	Debenture Application & Allotment A/c Dr.			
	Loss on Issue of Debentures A/c (<i>with premium on redemption</i>) Dr.			
	To x% Debentures A/c (<i>with nominal value of debenture</i>)			
	To Premium on Redemption of Debenture A/c			

3. Issued at a discount and redeemable at a premium
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	For receipt of application money			
	Bank A/c Dr. To x% Debenture Application & Allotment A/c			
	For allotment of debentures at a discount and redeemable at premium			
	x% Debenture Application & Allotment A/c Dr.			
	Loss on Issue of Debentures A/c (<i>discount on issue and premium on redemption</i>) Dr.			
	To x% Debentures A/c (<i>nominal value of debenture</i>)			
	To Premium on Redemption of Debentures A/c			

4. Issued at a premium and redeemable at a premium
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Debenture Application & Allotment A/c			
	Debenture Application & Allotment A/c Dr.			
	Loss on Issue of Debentures A/c (<i>with premium on redemption</i>) Dr.			
	To Debentures A/c (<i>with nominal value of debenture</i>)			
	To Securities Premium A/c (<i>with premium on issue</i>)			
	To Premium on Redemption of Debentures A/c			

➤ Writing-off Discount or Loss on Issue of Debentures (AS 16)
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Securities Premium A/c Dr.			
	Statement of Profit and Loss Dr.			
	To Discount or Loss on Issue of Debentures A/c (Being discount or loss on issue of debentures written-off)			

➤ Interest on Debentures
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	When interest is due			
	Debenture Interest A/c Dr. To TDS Payable/Income Tax Payable A/c To Debentureholders A/c (Being amount of interest due on debenture and tax deducted at source)			

For payment of interest to debentureholders Debentureholders Dr. A/c To Bank A/c (Being amount of interest paid to debentureholders)		
On payment of tax deducted at source to the Government TDS Payable/Income Tax Dr. Payable A/c To Bank A/c (For payment of tax deducted at source on interest on debentures)		
On transfer of Debenture Interest to Statement of Profit and Loss Dr. Statement of Profit and Loss To Debenture Interest A/c (Being debenture interest transferred to statement of profit and loss)		

➤ **Issue of Debentures for Consideration other than Cash**

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	1. On purchase of business Sundry Assets A/c (<i>individually</i>) Dr. *Goodwill A/c (if purchase consideration > Net assets taken over) Dr. To Sundry Liabilities A/c (<i>individually</i>) To Vendor's A/c (purchase consideration) To *Capital Reserve A/c (if purchase consideration < Net assets taken over) (Being business purchased from the vendor)			
	2. For payment through cash/cheque/bank draft Vendor's A/c Dr. To Bank A/c (Being part payment through cash/cheque/bank draft) OR For payment through bills of exchange/acceptance/promissory note Vendor's A/c Dr. To Bills Payable A/c (Being part payment through bills of exchange/acceptance/promissory note)			
	3. On issue of debentures (a) <i>At par</i> Vendor's A/c Dr. To x% Debentures A/c (b) <i>At premium</i> Vendor's A/c Dr. To x% Debentures A/c To Securities Premium A/c (c) <i>At a discount</i> Vendor's A/c Dr. Discount on Issue of Debenture A/c Dr. To x% Debentures A/c			

* Either of the two will appear.

➤ **Issue of Debentures as a Collateral Security**

First Method

No entry is made in the books of accounts since no liability is created by such issue of debentures.

Balance Sheet of X Company as at _____

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
1. <u>Non-current Liabilities</u>	1.	xxx
Long-term borrowings		

Notes to Accounts:

Particulars	Amount (₹)
1. Long-term borrowings	
Bank Loan	xxx
(Secured by issue of __, x% debentures of ₹__ each as Collateral Security)	

Second Method

The issue of debentures as a collateral security may be recorded by means of journal entry as follows:

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Debenture Suspense A/c To 9% Debentures A/c (For issue of __, x% debentures of ₹__ each as collateral security for bank loan of ₹__)		xxx	xxx

Balance Sheet of X Company as at _____ (an Extract)

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
1. <u>Non-current Liabilities</u>	1.	xxx
Long-term borrowings		

Notes to Accounts:

Particulars	Details	Amount (₹)
1. Long term borrowings		
Bank loan	xxxx	xxx
__, x% debentures of ₹_ each	(xxx)	—
Less: Debenture Suspense A/c		xxx

8. Analysis of Financial Statements

 ➤ **Statement of Profit and Loss**
Statement of Profit and Loss for the year ended 31 March, 20.....

Particulars	Note No.	Current Year (₹)	Previous Year (₹)
I. Revenue from operations (<i>Sale of products and services, Other operating revenues</i>)			
II. Other income (<i>Interest income, Dividend income, Net gain on sale of investments, Other non-operating income</i>)			
III. Total Income (I+II)			
IV. Less: <u>Expenses</u> :			
• Cost of materials consumed			
• Purchases of stock-in-trade			
• Changes in inventories of finished goods, Work-in-progress and stock- in-trade (<i>opening inventory – closing inventory</i>)			
• Employee benefits expense (<i>salary, wages, etc.</i>)			
• Finance costs (<i>interest payments</i>)			
• Depreciation and amortisation expense			
• Other expenses			
Total expenses			

V. Profit before tax (III–IV)			
VI. Less: Tax provision			
VII. Profit after tax (V–VI)			

➤ **Balance Sheet of Company**

Balance Sheet of Company as at 31st March, 20....

Particulars	Note No.	Figure as at the end of current year (₹)	Figure as at the end of previous year (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital			
(b) Reserves and Surplus			
(c) Money received against share warrants			
2. Share Application money pending allotment			
3. Non-current Liabilities			
(a) Long term borrowings			
(b) Deferred tax liabilities (net)			
(c) Other long term liabilities			
(d) Long term provisions			
4. Current Liabilities			
(a) Short-term borrowings			
(b) Trade payables			
(c) Other current liabilities			
(d) Short-term provisions			
Total			
II. ASSETS			
1. Non-Current Assets			
(a) Property, Plant & Equipment and Intangible Assets			
(i) Property, Plant & Equipment			
(ii) Intangible assets			
(iii) Capital work-in-progress			
(iv) Intangible assets under development			
(b) Non-current investments			
(c) Deferred tax assets (net)			
(d) Long-term loans and advances			
(e) Other non-current assets			
2. Current Assets			
(a) Current investments			
(b) Inventories			
(c) Trade receivables			
(d) Cash and cash equivalents			
(e) Short term loans and advances			
(f) Other current assets			
Total			

➤ **Comparative Statement of Profit and Loss**

Particulars	Note No.	2019-20 (₹)	2018-19 (₹)	Absolute Increase/ Decrease (₹)	Percentage Increase/ Decrease (%)
I. Revenue from operations					
II. Other income					
III. Total Income (I+II)					

IV. Less: <u>Expenses</u> : • Cost of materials consumed • Purchases of stock-in-trade • Changes in inventories of finished goods, work-in-progress and stock-in-trade • Finance costs • Depreciation and amortisation expense • Other expenses					
Total expenses					
V. Profit before tax (III-IV)					
VI. Less: Tax provision					
VII. Profit after tax (V-VI)					

➤ **Comparative Balance Sheet**

Particulars	Note No.	March 31, 2019 (₹)	March 31, 2020 (₹)	Absolute Change (₹)	Percentage Change (%)
I. Equity and Liabilities					
1. <u>Shareholders' Funds</u>					
(a) Share capital					
(b) Reserve and surplus					
2. <u>Non-current Liabilities</u> Long-term borrowings					
3. <u>Current liabilities</u> Trade payables					
Total					
II. Assets					
1. <u>Non-current assets</u>					
(a) Property, Plant & Equipment and Intangible Assets					
Property, Plant & Equipment					
2. <u>Current assets</u>					
Inventories					
Cash and Cash Equivalents					
Total					

➤ **Common Size Statement of Profit and Loss**

Particulars	X Ltd. (₹)	Y Ltd. (₹)	X Ltd. As a % of Revenue from operations	Y Ltd. As a % of Revenue from operations
I. Revenue from Operation				
II. Add: Other Incomes				
III. Total Income (I+II)				
IV. Less: <u>Expenses</u>				
Cost of material Consumed				
Employee benefit expenses				
Total expenses				
V. Profit Before Tax (III-IV)				
VI. Less: Tax				
VII. Profit after Tax (V-VI)				

➤ **Common Size Balance Sheet**

Particulars	Absolute Amounts		Percentage of Balance Sheet Total	
	P Ltd. (₹)	Q Ltd. (₹)	P Ltd. (%)	Q Ltd. (%)
I. EQUITY AND LIABILITIES				
1. <u>Shareholders' Funds</u>				
(a) Share capital				
(b) Reserve and surplus				
2. <u>Non-current Liabilities</u> Long-term borrowings				
3. <u>Current liabilities</u>				
Trade payables				
Total				
II. ASSETS				
1. <u>Non-current assets</u>				
a) Property, Plant & Equipment and Intangible Assets				
Property, Plant & Equipment				
Intangible assets				
b) Non- Current investments				
2. <u>Current assets</u>				
Inventories				
Total				

9. Cash Flow Statement

➤ **Preparation of Cash Flow Statement**

CASH FLOW STATEMENT OF ____(Company) for the year ending _____

Particulars	Details (₹)	Amount (₹)
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit/Loss before Tax and Extraordinary Items	xxx	
<i>Add: Non-cash and non-operating expenses for which deductions already made</i>	or (xxx)	
• Depreciation	xxx	
• Intangible Assets amortised (Goodwill, Patents, etc. written-off)	xxx	
• Loss on sale of fixed assets or non-current assets	xxx	
• Finance cost (Interest paid on long-term borrowings)	xxx	
• Preliminary expenses written off	xxx	
• Discount/loss on issue of debentures written off	xxx	
• Provision made for doubtful debts	xxx	
• Premium on redemption of debentures	xxx	
<i>Less: Non-operating incomes for which additions already made in Statement of Profit and Loss</i>	xxx	
• Interest income	(xxx)	
• Dividend income	(xxx)	
• Rental income	(xxx)	
• Profit on sale of fixed assets or non-current assets	(xxx)	
• Excess provision for depreciation written back	(xxx)	
• Excess provision for doubtful debts written back	(xxx)	

Operating Profit before working capital changes	xxx	
<u>Add:</u>	or	
• Decrease in current assets (<i>other than current investments, cash and cash equivalents and short-term loans and advances</i>)	(xxx)	
• Increase in current liabilities (<i>other than short-term borrowings and short-term provisions</i>)	xxx	
	xxx	
<u>Less:</u>		
• Increase in current assets (<i>other than current investments, cash and cash equivalents and short-term loans and advances</i>)	(xxx)	
• Decrease in current liabilities (<i>other than short-term borrowings and short-term provisions</i>)	(xxx)	
Cash Generated from (or used in) Operating Activities before Tax and Extraordinary Items	xxx or (xxx)	
<u>Less:</u> Income Tax paid (Tax on normal profits/operating profits) <u>Add:</u> Income Tax Refund received	(xxx)	
	xxx	
Cash Generated from (or used in) Operating Activities after Tax but before Extraordinary Items	xxx or (xxx)	
+/- <u>Effects of Extraordinary Items</u> (e.g. insurance proceeds from earthquake disaster settlement will be added whereas loss due to theft will be subtracted)	xxx or (xxx)	
A. Net Cash from (or used in) Operating Activities		xxx or (xxx)
II. CASH FLOWS FROM INVESTING ACTIVITIES		
(i) Proceeds from Sale of Tangible Fixed Assets	xxx	
(ii) Proceeds from Sale of Non-Current Investments	xxx	
(iii) Interest received, Dividend received and Rent received	xxx	
(iv) Purchase of Fixed Tangible Assets and Intangible Assets like goodwill	(xxx)	
(v) Purchase of Non-Current Investments	(xxx)	
(vi) Capital Gain Tax paid	(xxx)	
B. Net Cash from (used in) Investing Activities		xxx or (xxx)
III. CASH FLOWS FROM FINANCING ACTIVITIES		
(a) Proceeds from issue of Share Capital (both equity and preference shares)	xxx	
(b) Proceeds from Long-term Borrowings (e.g., debentures, bonds, long-term loan from bank, x% deposits)	xxx	
(c) Securities Premium Reserve (Premium on issue of shares or debentures)	xxx	
(d) Proceeds from Bank Overdraft raised	xxx	
(e) Redemption of Debentures or Preference Shares (including premium on redemption)	(xxx)	
(f) Repayment of Long-term Loan from Bank/x% Deposits	(xxx)	
(g) Buy Back of Equity Shares	(xxx)	
(h) Dividend Paid (both final dividend and interim dividend)	(xxx)	
(i) Interest on Long-term Borrowings Paid (e.g. interest on debentures, long-term loan from bank, x% deposits)	(xxx)	
(j) Dividend Tax paid	(xxx)	
C. Net Cash from (used in) Financing Activities		xxx or (xxx)
NET INCREASE (OR DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)		xxx
<u>Add: Cash and Cash Equivalents in the beginning</u>	xxx	
Cash in hand	xxx	
Cash at bank	xxx	
Current Investments (marketable securities)		xxx
<u>Cash and cash Equivalents at the end of the year</u>		
Cash in hand	xxx	
Cash at bank	xxx	
Current Investments (marketable securities)	xxx	xxx

Working Notes:
1. Calculation of Tax paid/Provision for Tax made during the current year:

Dr.

Provision for Tax A/c

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Tax paid) To Balance c/d		By Balance b/d By Statement of Profit and Loss (Tax provision of current year)	

2.
Dr. **Tangible Fixed Assets A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d To Statement of Profit and Loss (profit on sale)* To Bank A/c (purchase)		By Depreciation By Bank A/c (sale) By Statement of Profit and Loss (loss on sale)* By Balance c/d	

* Either of the two will appear.

OR

When accumulated depreciation account is appearing in notes to accounts of Balance Sheet:Dr. **Tangible Fixed Assets A/c** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d To Statement of Profit and Loss (profit on sale)* To Bank A/c (new fixed assets purchased)		By Bank A/c (proceeds from sale) By Accumulated Depreciation (on fixed asset sold) By Statement of Profit and Loss (loss on sale)* By Balance c/d	

* Either of the two will appear.

Dr.

Accumulated Depreciation Account

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Tangible Fixed Assets A/c (accumulated depreciation on fixed asset sold) To Balance c/d		By Balance b/d By Statement of Profit and Loss (Depreciation charged during the year)	

3. Calculation of Net profit/loss before tax and extraordinary items:

Particulars	Amount (₹)
Net Profit/Loss after Appropriations (difference between the current year's and previous year's balance of Statement of Profit and Loss)	xxx or (xxx)
Add: Interim Dividend paid	xxx
Add: Final Dividend paid	xxx
Add: Transfer to Reserves (e.g. transfer to general reserve)	xxx
Add: Provision for Tax made during the current year	xxx
Less: Income Tax Refund received	(xxx)
Net Profit/Loss before Tax	xxx or (xxx)
Less: Loss due to earthquake (Extraordinary item)	(xxx)
Net Profit before Tax and Extraordinary Items	xxx or (xxx)

Important Tips for Attempting CBSE Accountancy Examination

BUSINESS STUDIES

1. Nature and significance of Management

S.No.	Clue words	Concept
1	Deliberate process; intangible force .	Management
2	Doing the right task; Completing activities; Achieving goals	Effectiveness
3	Minimum cost; Cost-benefit analysis; Relationship between inputs and outputs	Efficiency
4	Includes series of functions which are planning, organising, staffing, directing and controlling	Management as a process
5	Two sides of the same coin	Efficiency and effectiveness
6	Quality of management; essence of management.	Co-ordination

2. Principles of Management

S.No.	Clue words	Concept
1	One best method	Principle : Science, not Rule of Thumb Technique : Method Study
2	Encouraging suggestions from employees	Fayol : Principle, of Initiative Taylor : Co-operation, not Individualism
3	Incentive bonus plan; Discriminating between efficient and inefficient workers	Differential Piece Wage System
4	Change in the outlook of management and workers towards each other	Mental Revolution
5	Extension of principle of co-operation, not individualism	Harmony, not discord
6	Scientific management technique contradictory to a principle of unity of command	Functional foremanship
7	Scientific management technique based on a principle of division of work	Functional foremanship
8	Eliminating unnecessary diversities of products	Standardisation and simplification of work
9	Elimination of unnecessary movements of workers	Motion study
10	Determination of standard time required to complete a specific task	Time study
11	A technique based on use of Robotics and computers production	Lean manufacturing
12	Creation of separate departments within an organisation	Application of Principle of division of work
13	Creating a balance between authority and responsibility	Application of Principle of authority and responsibilities
14	Obedience to organisational rules; workers and management should honour their commitments towards each other; justified application of penalties	Application of Principle of discipline
15	Each employee should receive orders from and be responsible to only one superior	Application of Principle of unity of command
16	One head, one plan; Each division should have a separate incharge	Application of Principle of unity of direction

17	A manager should replace 'I' with 'we'	Application of Principle of Esprit De Corps
18	Priority of organisational interest over general interest	Application of Principle of subordination of individual interest to general interest
19	Fair and justified compensation	Remuneration of employees
20	Concentration of decision making authority and dispersal of authority to lower levels	Application of Principle of centralisation and decentralisation
21	Chain of command and communication linking all job positions	Application of Principle of scalar chain
22	A shorter route of communication to be used during emergency	Gang plank
23	Well defined place for people and materials in an organisation	Application of Principle of order
24	No discrimination among the employees; Dealing with inappropriate behaviour of employees sternly	Application of Principle of equity
25	The recruitment and selection of employees should be done carefully; The employee should not be moved on adhoc basis from one place to another	Application of Principle of stability of personnel
26	Suggestions from employees should be encouraged	Application of Principle of initiative

2. Business Environment

S.No.	Clue words	Concept
1	Sum total of all individuals, institutions and other forces that are outside the control of a business enterprise, but that may affect its performance.	Business environment
2	Exert a direct and immediate influence on the working of a business firm/owners, suppliers, creditors, employees, trade union, competitors.	Specific forces
3	Exert an indirect influence on the functioning of a business firm/economic, social, technological, political and legal components.	General forces
4	The economic system, level of economic development, availability of economic resources, the level of income of people, economic policies, rate of inflation, exchange rate balance of payment position, gross national product, per capita income, rate of savings and investment, changes in disposable income of people, stock market indices and the value of rupee, etc.	Economic environment
5	Size, growth rate, composition of population, life expectancy of people, level of literacy, values, beliefs, customs, traditions	Social environment
6	Scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business	Technological environment
7	General stability and peace in the country, organisation and philosophy of political parties, ideology of the government, the image of the country and its leaders, foreign policies pursued by the government in power, attitude of the government towards various types of business organisations.	Political environment
8	Various legislations passed by the government, administrative orders issued by government authorities, court judgements as well as the decisions rendered by various commissions and agencies at every level of the government— centre, state or local.	Legal environment
9	Abolishing licensing and all unnecessary controls and restrictions.	Liberalisation
10	Giving greater role to the private sector.	Privatisation
11	Integration of the various economies of the world	Globalisation
12	Act of scrapping a currency unit of its status as legal tender	Demonetisation

3. Planning

S.No.	Clue words	Concept
1	Primary function of management	Planning
2	Forward looking function/looking ahead	Planning
3	An intellectual activity	Planning
4	Assumptions about the future	Planning premises
5	Plans formulated to deal with unique, new or non-repetitive situations	Single use plans
6	Plans used for a long period of time in similar or repetitive situations	Standing plans
7	End results of the activities	Objectives
8	Comprehensive plan/a plan to achieve an objective	Strategy
9	Guidelines for implementing a strategy	Policy
10	Prescribed way to carry out a particular task	Method
11	Series of steps to be performed in a chronological order	Procedure
12	Numerical plan	Budget
13	Simplest form of plans which specifies the action that must or must not be taken	Rule
14	Very detailed plans	Programme

4. Organising

S.No.	Clue words	Concept
1	Ranking of job positions	Hierarchy
2	Framework within which managerial and operating tasks are performed	Organisational structure
3	Number of subordinates that can be effectively managed by a superior	Span of management
4	Sharing of work and responsibility with subordinates	Delegation of authority
5	Concentration of decision making at top level	Centralisation
6	Systematic dispersal of authority to the lowest level	Decentralisation
7	Occupational specialisation	Functional organisational structure
8	Organisation created to achieve goals of the enterprise	Formal organisation
9	Network of social relationships	Informal organisation
10	One product company	Functional or organisational structure
11	Multiple product company	Divisional organisational structure
12	Spreading of rumours	Informal organisation

5. Staffing

S.No.	Clue words	Concept
1	Manning the organisational structure	Staffing
2	Process Of searching for prospective employees	Recruitment
3	Process of choosing best candidate from the pool of the prospective job candidates	Selection
4	Estimation of the number and types of human resources required in the organisation	Workload analysis
5	Estimation of the number and types of human resources available in the organisation	Workforce analysis
6	Process by which an employee takes charge of his Job position	Placement
7	Vertical movement of an employee	Promotion
8	Horizontal movement of an employee	Transfer
9	Process of familiarising the new employees with the various aspects related to the organisation	Orientation
10	Job-oriented process	Training
11	Career-oriented process	Development
12	Measure the worth of an employee to an organisation.	Performance appraisal
13	All forms of pay or rewards going to employees	Compensation
14	A notice on the notice board specifying the details of the various jobs available	Direct recruitment
	Database of unsolicited applications	Casual callers
	Filling up the vacancies in the middle level and top level management	Placement agencies and management consultant
17	Source for hiring unskilled workers at a very short notice	Labour contractors
18	Measuring the intelligence quotient of an individual	Intelligence Tests
19	Evaluate the potential of a candidate in acquiring new skills and capacity to develop	Aptitude Test
20	Provide an insight into a person's emotions, her reactions, maturity and value system, etc.	Personality Tests
21	Measure the knowledge, skills and proficiency that a candidate possesses with regard to a particular job position	Trade Test
22	Define the interests of the candidate	Interest Tests
23	Collaboration between educational institutes and business firms	Internship training
24	Trainee is placed under guidance of a master worker	Apprenticeship training
25	Trainees are expected to work on sophisticated machinery and equipment at the actual place of work.	Vestibule training

6. Directing

S.No.	Clue words	Concept
1	Execution function / initiates action	Directing
2	Overseeing the work	Supervision
3	Stimulating people	Motivation
4	Internal feelings	Motivation
5	Primary needs	Basic physiological needs
6	Protection against physical and emotional harm	Safety needs
7	Need for a sense of belongingness	Affiliation needs
8	Highest level of needs	Self actualization needs
9	Self respect/status need	Esteem needs
10	Converting the message into communication symbols	Encoding
11	Process of influencing in a desired manner	Leadership
12	One-way communication	Autocratic-Leadership
13	Using forces within the group/encouraging employee participation	Democratic Leadership
14	Giving autonomy to subordinates	Laissez-faire Leadership
15	Process of converting encoded symbols of the sender	Decoding
16	Hindrance to communication	Barriers
17	Communication flow through official channels	Formal communication
18	Refer to flow of communication from subordinate to superior	Upward communication
19	Communication takes place between one division and another	Horizontal/ lateral communication
20	Grapevine	Informal communication
21	These barriers are concerned with problems and obstructions in the process of encoding and decoding of message into words or impressions	Semantic barriers
22	Emotional or psychological factors act as barriers	Psychological barriers
23	Personal factors of both sender and receiver may exert influence on effective communication	Personal barriers

7. Controlling

S.No.	Clue words	Concept
1	Ensuring that events conform to plans	Controlling
2	Difference between planned performance and actual performance	Deviation
3	If you try to control everything, you end up controlling nothing	Management by exception
4	Key result areas	Critical point control
5	Forward looking function	Planning / controlling
6	Backward looking function	Planning / controlling
7	Random quality checking	Sample checking
8	Critical points for success of an organisation	Key result areas

8. Financial Management

S.No.	Clue words	Concept
1	Optimal procurement as well as usages of finance	Financial Management
2	Estimating quantum of funds and the related sources	Financial planning
3	Preparation of a financial blueprint of an organisation's future operations	Financial planning
4	These decisions affect the amount of assets, competitiveness and profitability of business.	Long term investment decisions / Capital budgeting decisions
5	These decisions affect the amount of assets, competitiveness and profitability of business.	Short term investment decisions / working capital decisions
6	This decision determines the overall cost of capital and the financial risk of the enterprise.	Financing decision
7	The mix between owners and borrowed funds	Capital structure
8	These decisions affect both the profitability and the financial risk.	Capital structure decisions

9. Financial Markets

S.No.	Clue words	Concept
1	The market for the creation and exchange of financial assets	Financial Market
2	Process through which allocation of funds takes place	Financial intermediation
3	Market for short-term funds	Money Market
4	Market for long-term funds	Capital Market
5	the market that deals with new securities	Primary Market
6	Market for the trading of the old/existing securities.	Secondary Market
7	Process of holding securities in electronic form	Dematerialisation
8	Custodian of the securities in electronic form on behalf of the investors.	Depository
9	Acts as an intermediary between the investor and the depository.	Depository participant
10	Zero coupon bonds	Treasury bills
11	Used for Bridge financing	Commercial paper
12	Short-term instrument issued by large and credit worth companies	Commercial paper
13	Short-term instrument used for inter bank dealings	Call money
14	Short-term instrument issued by Reserve Bank of India	Treasury bills
15	Short-term instrument issued by banks or financial institutions	Certificates of deposit
16	Short-term instrument issued to finance the working capital requirements of business firms.	Commercial bill
17	Securities are offered for sale through intermediaries	Offer for sale
18	A company issues securities to institutional investors and some selected individuals.	Private placement
19	A company invites subscriptions from the general public for its securities.	Offer through prospectus
20	A privilege exclusively given to the existing shareholders, to subscribe to a new issue of shares.	Rights Issue

21	Mandatory detail for opening a demat account	PAN Number
22	The investor has to deliver the shares sold or pay cash for the shares bought.	Pay-in day
23	The exchange will deliver the shares or make payment to the other broker in case of purchase.	Pay-out day

10. Marketing Management

S.No.	Clue words	Concept
1	Potential customers who have both the ability and willingness to buy a product or service	Market
2	Controllable variables	Components of marketing mix.
3	Non-controllable variables	Components of general business environment: economic, social, political, legal and technological
4	Name of the whole class of the product	Generic name
5	A part of brand which can be spoken	Brand name
6	A part of brand which cannot be spoken	Brand mark
7	A registered brand name	Trademark
8	Easy availability and affordability of products	Production concept
9	Supremacy of the product quality	Product concept
10	Aggressive sales promotion	Selling concept
11	Finding wants and filling them	Marketing concept
12	Eco-friendly products	Societal marketing concept
13	Making the goods and services available at the right place, at the right time and in the right condition	Physical distribution
14	Set of firms and individuals that take title or help in the process of transferring the title	Channels of distribution
15	Activities undertaken to inform and persuade prospective buyers	Promotion
16	Paid form of non-personal communication	Advertising
17	Face-to-face interaction between seller and prospective buyer	Personal selling
18	Short-term incentives to promote sales	Sales promotion
19	Create and maintain a positive image about the company and its products	Public relations

11. Consumer Protection

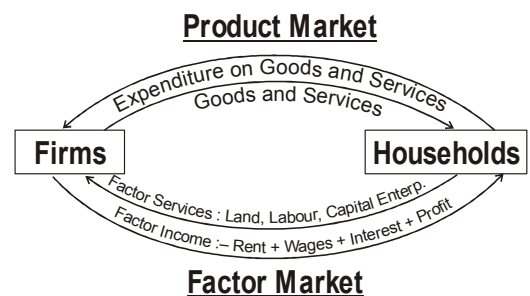
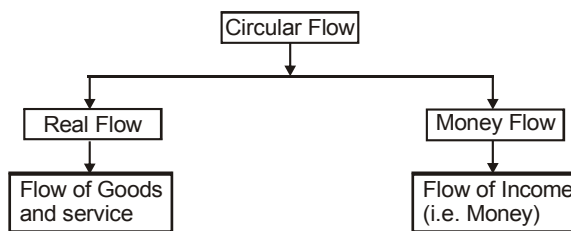
S.No.	Clue words	Concept
1	Offering hazardous goods/ checking standardization mark	Right to safety
2	Offering a wide variety of goods	Right to choose
3	Providing details about the product	Right to information
4	Consumer helpline/ grievance cell	Right to be heard

5	Consumer gets a relief	Right to seek redressal
6	Creating consumer awareness	Right to consumer awareness
7	When the value of the goods or services in question, along with the compensation claimed, does not exceed ₹1 Crore	District forum
8	When the value of the goods or services in question, along with the compensation claimed, is more than ₹1 Crore, but does not ₹10 crores.	State Commission
9	When the value of the goods or services in question, National Commission along with the compensation claimed, is more than ₹ 10 crore.	National Income

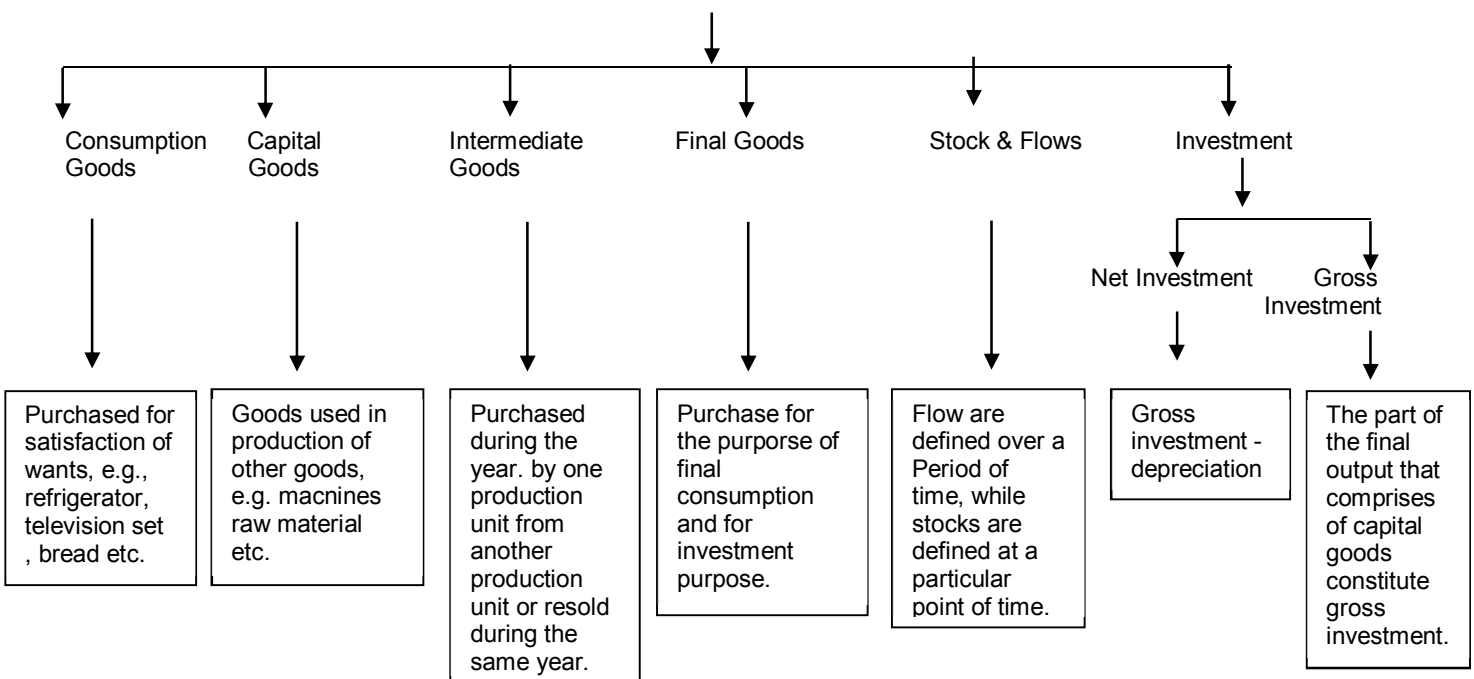
ECONOMICS

UNIT – 1 NATIONAL INCOME AND RELATED AGGREGATES

CIRCULAR FLOW ON INCOME

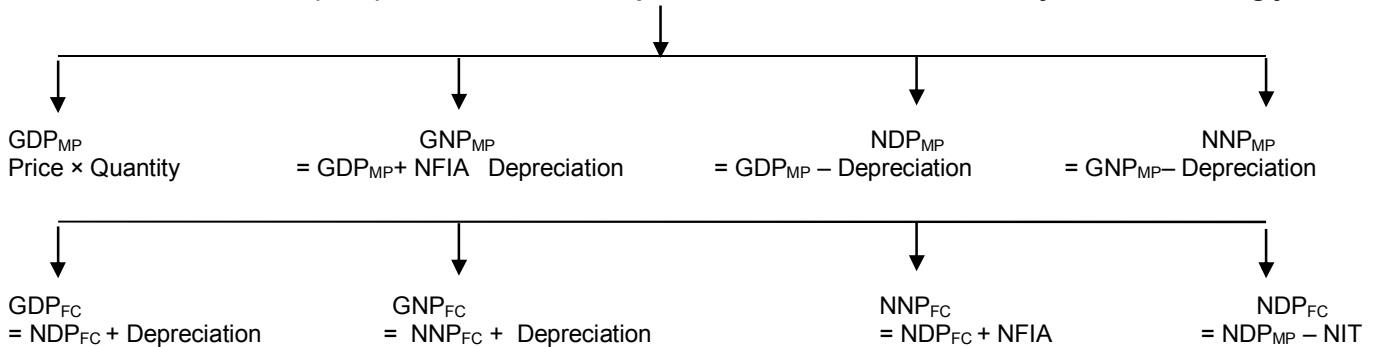


BASIC CONCEPTS OF NATIONAL INCOME



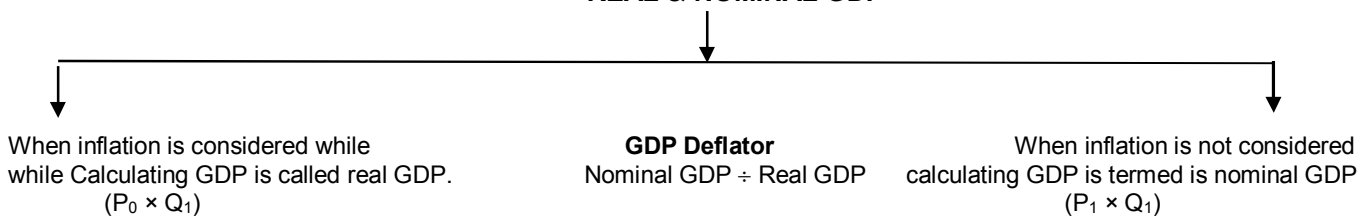
AGGREGATES RELATED TO NATIONAL INCOME

Gross Domestic Product (GDP) – Goods & Services produced within domestic territory in an Accounting year.



1. Gross = Net + Depreciation
2. National = Domestic + Net factor Income from abroad
3. Market Price = Factor cost + Net Indirect Taxes

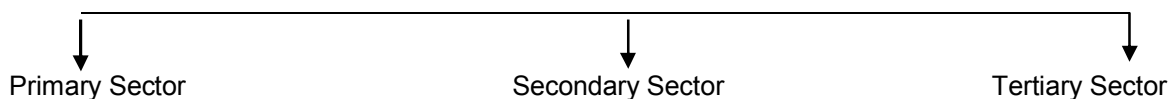
REAL & NOMINAL GDP



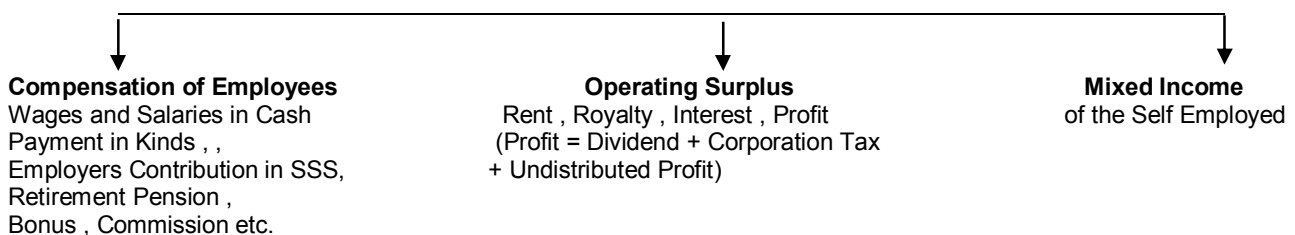
CALCULATING NATIONAL INCOME

I. Income method

STEP I : Identification and Classification of Producing Enterprises



STEP II : Classification of Factor Income



STEP III : Calculation of Domestic Factor Income (NDP_{FC})

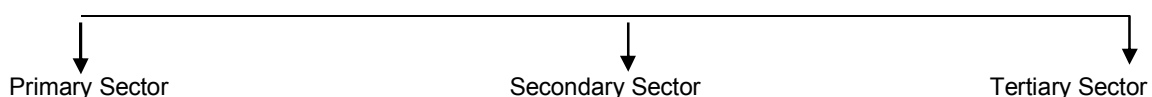
$$NDP_{FC} = COE + OS + MI$$

STEP IV : Calculation of National Income

$$NNP_{FC} = NDP_{FC} + NFIA$$

II. Value added method

STEP I : Identification and Classification of Producing Enterprises



STEP II : Estimation of Gross Value Added

Value of Output = Sales + Change in Stock

(a) Sales = Domestic Sales + Exports, (b) Change in Stock = Closing Stock – Opening Stock]

Then Value Added is calculated by using given formulae :

Value Added = Value of Output – Intermediate Consumption

Gross Value Added = Value Added in Primary Sector
 + Value Added in Secondary Sector
 + Value Added in Tertiary Sector .

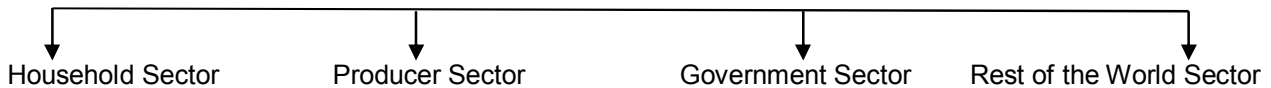
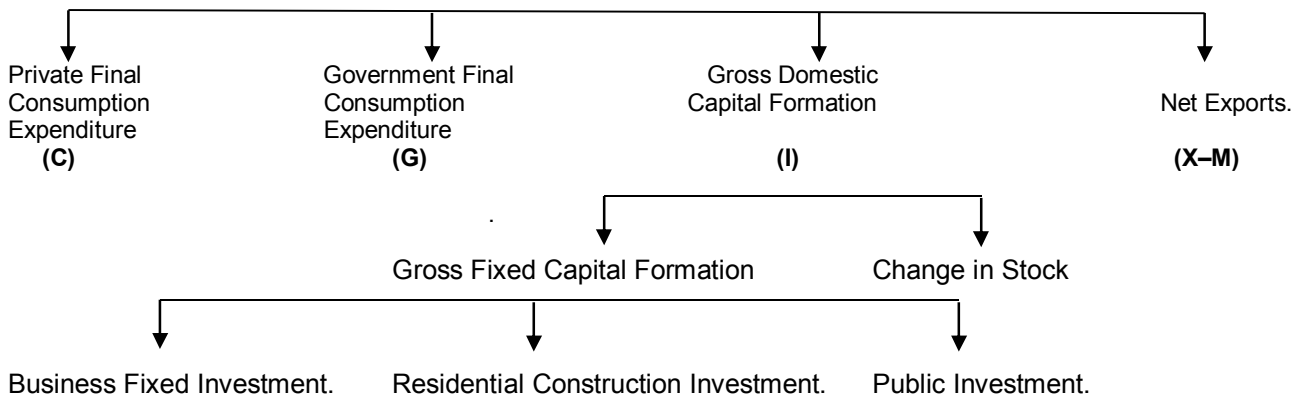
STEP III : Estimation of Gross domestic product

$$GDP_{MP} = \sum GVA_{MP}$$

STEP IV : Calculation of National Income

$$NNP_{FC} = GDP_{MP} - \text{Depreciation} + \text{NFIA} - \text{NIT}.$$

III. Expenditure Method

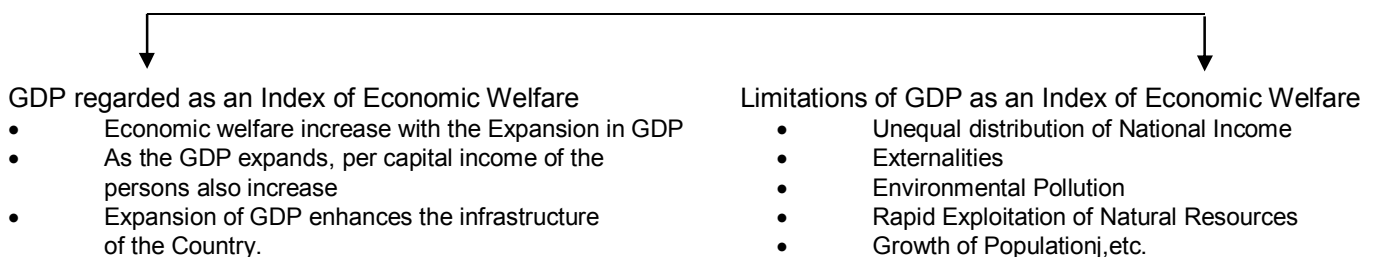
STEP I : Identification and Classification of Institutional Units incurring Final Expenditure

STEP II : Classification of Final Expenditure

STEP III : Estimation of Gross domestic product

$$GDP_{MP} = C + G + I + (X - M)$$

STEP IV : Calculation of National Income

$$NNP_{FC} = GDP_{MP} - \text{Depreciation} + \text{NFIA} - \text{NIT}.$$

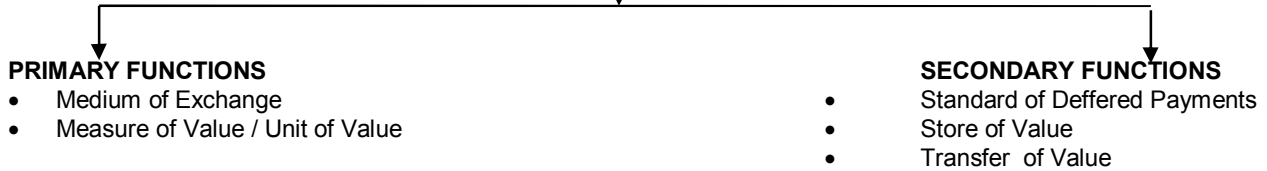
GDP & WELFARE



UNIT – 2 MONEY & BANKING

Money is anything that is generally acceptable as a means of exchange and at the same time acts as a measure and store of value.

Function of money



Money Supply : Supply of Money refers to the Stock of Money, held by the Public or those who Demand Money .

Measure of Money Supply :

- $M_1 = C + DD + OD$
- $M_2 = M_1 +$ Saving deposit with post office saving bank.
- $M_3 = M_1 +$ Time deposit of all commercial and cooperative bank.
- $M_4 = M_3 +$ Total deposit with the post office saving organization

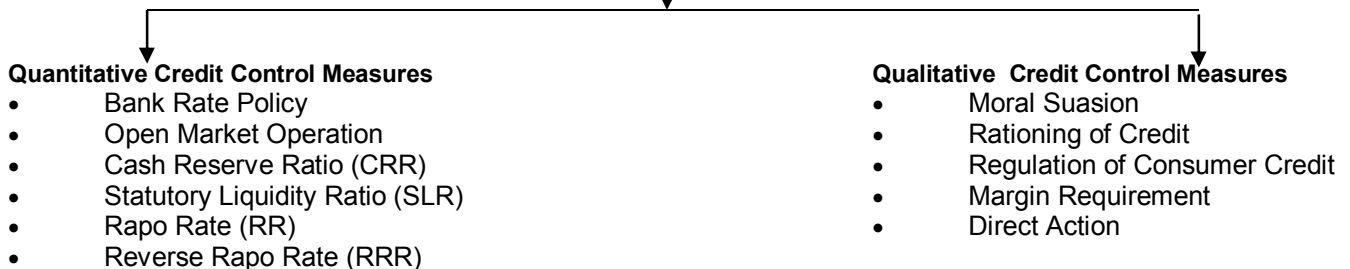
Central Bank :

It is the apex institution of monetary and banking system of a country.

Function of RBI As A Central Bank :

- Issuing of Note
- Bankers Bank
- Lender of the Last Resort
- Clearing House Function
- Bankers to the Government
- Supervision of the Banks
- Custodian of Foreign Exchange
- Control of Credit

Monetary Policy of the Central Bank



Credit Creation By Commercial Banks :

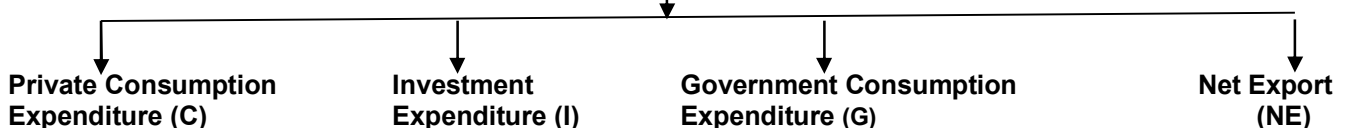
Credit Creation = $\frac{1}{LRR} \times$ Primary Deposit , $\frac{1}{LRR} =$ Money Multiplier.

UNIT – 3 DETERMINATION OF INCOME AND EMPLOYMENT

Aggregate Demand refers to the total of expenditure on the domestically produced goods and service during the period of one accounting year.

Components of Aggregate Demand

$$AD = C + I + G + NE$$



Aggregate Supply (AS) : $AS = C + S$.

Aggregate Supply is Total Amount of money which is paid to the Factors of Production against their Factor Services for the Production of Goods and Services in an economy.

It means Aggregate Supply at Factor Cost or National Income. It is represented by 45° line.

Consumption Function Or Propensity to Consume :

$$C = f(Y)$$

$$C = \bar{C} + bY$$

$$\text{Average Propensity to Consume (APC)} = \frac{\text{Consumption}}{\text{Income}} \quad \text{OR} \quad \text{APC} = \frac{C}{Y}$$

$$\text{Marginal Propensity to Consume (MPC)} = \frac{\text{Change in Consumption}}{\text{Change in Income}} \quad \text{OR} \quad \text{MPC} = \frac{\Delta C}{\Delta Y}$$

Saving Function or Propensity to Save :

$$S = f(Y)$$

$$S = -\bar{C} + (1-b)y$$

$$\text{Average Propensity to Save (APS)} = \frac{\text{Saving}}{\text{Income}} \quad \text{OR} \quad \text{APS} = \frac{S}{Y}$$

$$\text{Marginal Propensity to Save (MPS)} = \frac{\text{Change in saving}}{\text{Change in income}} \quad \text{OR} \quad \text{MPS} = \frac{\Delta S}{\Delta Y}$$

Investment Function : $I = f(i, \text{MEC})$

$$\text{APC} + \text{APS} = 1 \quad \& \quad \text{MPC} + \text{MPS} = 1$$

Investment Multiplier : The ratio of change in income to the change in investment.

$$K = \frac{\Delta Y}{\Delta I} = \frac{1}{1 - \text{MPC}} = \frac{1}{\text{MPS}}$$

Maximum Value of $K = \infty$, Minimum Value of $K = 1$

Ex-Ante = Planned / Desired & Ex-Post = Actual or Realised

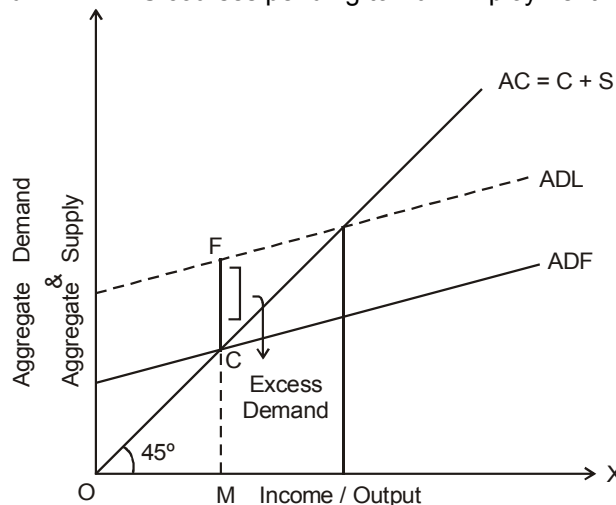
Equilibrium Level of Income and Output :

- Aggregate Demand and Aggregate Supply Approach : $AD = AS : C + I = C + S$
- Saving And Investment Approach : $S = I$

Excess Demand :

It refers to a situation when Aggregate Demand is in excess of Aggregate Supply corresponding to full employment in the economy.

Excess Demand = $AD > AS$ courses pending to Full Employment Equilibrium

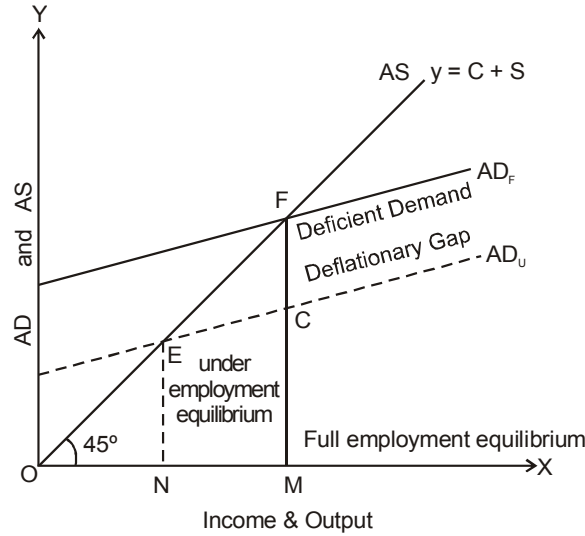


Inflationary Gap :

The extent to which actual A.D. becomes higher than the Aggregate Demand required for full employment is known as Inflationary Gap.

Deficient Demand :

It refers to the situation when aggregate demand is short of aggregate supply corresponding to full employment in the economy.



Deflationary Gap :

It is the short fall required to maintain full employment equilibrium in the economy. Deflationary gap measures the size of deficient demand.

Excess Demand		Deficient Demand	
Reasons		Reasons	
1. Increase in consumption		1. Decrease in consumption	
2. Increase in Autonomous investment		2. Decrease in Autonomous investment	
3. Increase in Government expenditure		3. Decrease in Government expenditure	
4. Increase in money supply.		4. Decrease in money supply	
5. Reduction in Taxes		5. Increase in Taxes	
Effects		Effects	
1. Rise in prices of goods i.e. inflation		1. Fall in price i.e. deflation	
2. Producers get abnormal profits.		2. Producer incurs losses.	
3. Purchasing power of consumer goes down		3. Purchasing power of consumer increases.	
Measures		Excess Demand	Deficient Demand
I. Fiscal Policy (by the central government)			
(a) Government Expenditure		↓	↑
(b) Government Revenue (Taxes)		↑	↓
II. Monetary Policy (by the RBI)			
1. Quantitative			
(a) Bank Rate (Repo Rate and Reserve Repo rate)		↑	↓
(b) Open Market Operations		Sale of govt. securities	Purchase of govt. securities
(c) CRR/SLR		↑	↓
2. Qualitative : (a) Moral Suasion		RBI advises to restrict Credit	RBI advise to expand credit
(b) Margin requirement		↑	↓

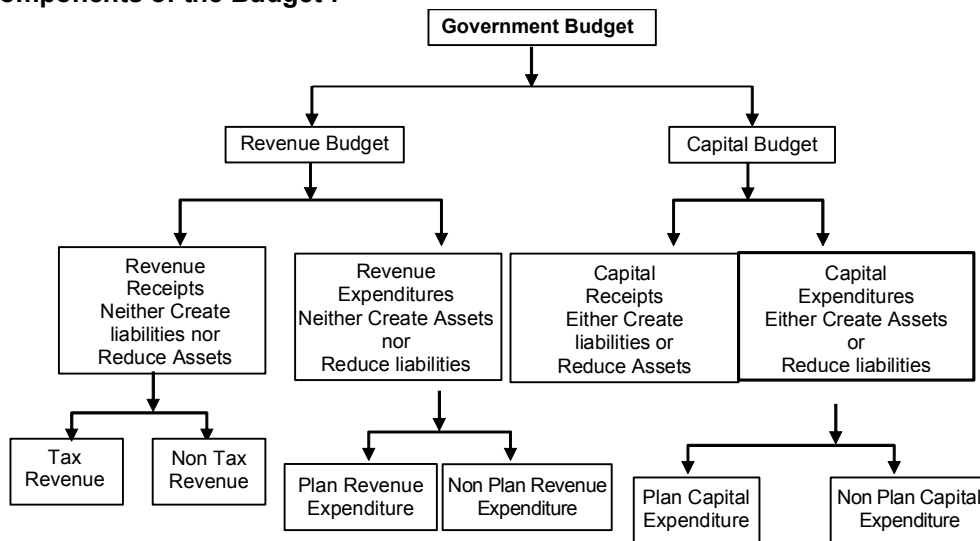
UNIT – 4 GOVERNMENT BUDGET

Government Budget is the statement of the estimates of the Government Receipts and Government. Expenditure during the period of One Financial Year.

Objective of Government Budget :

- Economic Growth
- Economic Stability
- Management of Public Enterprises
- Proper Allocation of Resources
- Economic Equality
- Generation of Employment

Structure of Components of the Budget :



Budget Deficit :

Budget Deficit refers to a situation when, Budget Expenditure of the Government are greater than the Budget Receipts .

$$\text{Budget Deficit} = \text{Government Expenditure} > \text{Government Receipts} .$$

- **Revenue Deficit** = Revenue Expenditure – Revenue Receipts
- **Fiscal Deficit** = Total Expenditure (Revenue & Capital) – Total Receipts (Capital & Revenue) Excluding Borrowing .
- **Primary Deficit** = Fiscal Deficits – Net Interest Payment .

UNIT – 5 BALANCE OF PAYMENT

Balance of Payment of a country is a Systematic Record of all Economic Transactions between the Residence of the Country and the Rest of the World during a year .

Components of Balance of Payment Account :

Current Account: Current Account is that Account which report Import and Export of Goods and Services and unilateral transactions. In other words transaction relating to Trade in Goods and Services and Transfer Payment constitute the Current Account .

Components of Current Account :

- Export and Import of Goods or Visible items .
- Export and Import of Services or Invisible Items .
- Unilateral Transfer from one Country to the other .

$$\text{Balance of Current Account} = \text{Balance of Visible Trade} + \text{Balance of Invisible Trade} + \text{Balance of Unilateral Transfer} .$$

Capital Account : Capital Account is that Account which records all such transactions between residence of the country and rest of the world which cause a change in the assets or liability status of the residence of a country.

Components of Capital Account :

- Foreign Investment –FDI and FPI
- Loan or Borrowing
- Banking Capital Transactions

Autonomous Items of Balance of Payment Accounts : Autonomous items in Balance of Payment Accounts are also known as above the line items . Which are related to such transactions as are determined by Consideration of Profit and which are not continued

Accommodating items of Balance of Payment Accounts : Accommodating items in Balance of Payment Accounts are also known as below the line items. Which are not related to such transactions as are determined by Consideration of Profit. Which are contented by the Positive or Negative Balance of Payment Status of the country.

Balance of Trade (or Trade Balance) :

Balance of Trade or Trade Balance = Visible Exports – Visible Imports.

Foreign Exchange Rate :

It refers to the rate, at which 1 unit of Currency of a Country can be exchanged for the number of units of currency of another country . for eg. : $1 \$ = ₹ 60$, $₹ 1 = \frac{1}{60} \$$.

Types of Foreign Exchange Rate System :

Fixed Exchange Rate System: Fixed Rate of Exchange refers to Rate of Exchange which is Fixed by the Government

Flexible Exchange Rate System : It is that rate , which is determined by the Demand For and Supply Of different Currencies in the Foreign Exchange Market .

Equilibrium Rate of Exchange or Determination of Equilibrium Exchange Rate :

Equilibrium Exchange Rate is determined at a point where Supply of Foreign Exchange and Demand for Foreign Exchange are equal to each other

Demand For Foreign Exchange :

- Import of Goods and Services from Foreign Countries .
- Investment in Foreign Countries .
- Gifts and Grants Sending Abroad .
- Speculation on the Value of Foreign Currencies .
- Demand for Foreign Currencies for Foreign Travelling , Expenditure on Embassies , Expenditure by Indian Students Studying in Foreign Countries , Medical Treatment, etc.

Supply of Foreign Exchange :

- Export of Goods and Services to Foreign Countries .
- Investment by Foreign Countries in the Domestic Countries .
- Receiving Gifts and Grants from Foreign Countries .
- Inward Movement of Foreign Currencies due to Currency Dealers and Speculators .
- Remittances by the Non-Residents Living in Foreign Countries .

Currency Depreciation : Currency Depreciation refers to Decrease in the Value of Domestic Currency in terms of Foreign Currency. It make the Domestic Currency Less Valuable and more of it is required to Buy the Foreign Currency. **For eg.** Rupee is said to be Depreciating if Price of \$ 1 rises from ₹ 50 to ₹ 60.

Currency Appreciation : Currency Appreciation refers to Increase in the Value of Domestic Currency in terms of Foreign Currency. The Domestic Currency becomes more Valuable and Less of it is required to buy the Foreign Currency. **For eg.** Indian Rupee Appreciates, when Price of \$ 1 falls from ₹ 60 to ₹ 50.

DEVALUATION VS DEPRECIATION

Basis	Devaluation	Depreciation
Meaning	Devaluation refers to reduction in price of domestic currency in terms of all foreign currencies under fixed exchange rate regime	Depreciation refers to reduction in price of domestic currency in terms of all foreign currencies under flexible by market forces of demand and supply.
Occurance	It take place by Government	It take place due to market forces of demand and supply
Exchange Rate system	It take place under fixed exchange rate system	It take place under flexible exchange rate system

IMPORTANT DATES AND DATA FOR IED AS PER NCERT

- Battle of Plassey, **fought in 1757**
- Tata iron and Steel Company (TISCO) in the year **1907** in Jamshedpur (Bihar).
- Tata Airlines was established in **1932**.
- British rule was to introduce railways in India in **1850**.
- Suez Canal in **1869**.
- 1st official Census: The first official census was conducted in the year **1881**

- **1921:** Year of Great Divide:
- High Birth Rate and Death Rate: **48 and 40 per thousand**
- Extremely Low Literacy rate: less than **16 per cent**.
- Female literacy level was at a negligible low of about **7 per cent**.
- The infant mortality rate was quite alarming – about **218 per thousand**,
- The infant mortality rate of **34.6 (2017) per thousand** presently.
- **Agriculture: 70-75%** of working population was engaged in agriculture in rural area.
- First Railway Bridge linking Bombay with Thane, **1854**.
- Industrial Policy Resolution of **1948**. (Leading role to public sector)
- India set up Planning Commission in **1950**, with the Prime Minister as the Chairman.
- P.C Mahalanobis was born on **29th June, 1893** in Calcutta. (The Architect of Indian Planning)
- In **1990**, the share of the service sector was **40.59 per cent** more than that of agriculture or industry.
- The Kharif season (**1966**), High Yielding Varieties Programme (Green Revolution).
- In the first phase (**Mid 60s to Mid 70s**)
- In the second phase (**Mid 70s to Mid 80s**)
- Industrial Policy Resolution **1956**, (Three fold classification)
- The Industries (Development and Regulation) Act, **1951**
- **1955**, the village and small-scale Industries Committee (Karve Committee)
- The proportion of GDP, the industrial sector increased in the period from **11.8 per cent in 1950-51 to 24.6 per cent in 1990-91**.
- Fiscal deficit of the Central government in **1990-91** was as high as **7.8 per cent of GDP**
- External debt was as high as **23 per cent of GDP in 1990-91**.
- Strong Inflationary Pressures, **10.3 per cent in 1990-91** – the highest
- Economic crisis of **1991**, received **7 billion dollar** as loan from international Monetary Fund.
- Industrial Sector Reforms, on **July 24, 1991**, 'Navratnas' in **1996**.
- International adjustment of Indian currency, July **1991** by nearly **20 per cent**.
- Customs duty has been reduced from **250 per cent to 10 per cent in 2007-2008 budget**.
- General Agreement on Trade and Tariff (GATT), **1948 with 23 countries**.
- WTO (1995), presently there are 164 member countries
- Disinvestment: in **1991-92**, the target was rupees **2,500 crore**, government was able to mobilise rupees **3,040 crore**.
- Around **22 per cent** of India's population is below poverty line.
- Dadabhai Naoroji was the first person to discuss the concept of Poverty Line (introduced in **1878**). He used the 'Jail Cost of Living' to calculate the poverty line
- In 1962, the Planning Commission formed a Study Group.
- In 1979, "Task Force on Projections of Minimum Needs and Effective Consumption Demand" was formed.
- In 1989 and 2005, 'Expert Group' was constituted for the same purpose.
- "Monthly Per Capita Expenditure or MPCE" method is used to determine the poverty line.
- 2400 calories per person per day for rural areas and 2100 calories per person per day in urban areas.
- PMRY attempted to generate employment by setting up 7 lakh micro-enterprises during the Eighth plan (1992-97).
- '**Prime Minister Employment Generation Programme (PMEGP)**' with effect from 01.04.2008.
- National Food for Work programme (NFFWP): This programme was launched in **2004**
- This programme was incorporated in Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in **2005**.
- NSAP was initiated by the central government on 15th August, 1995
- From 2014, a scheme called "**Pradhan Mantri Jan-Dhan Yojana**", Make in India 2014

- A major change occurred after 1969, when India adopted the institutional credit approach through various agencies.
- The loans provided by the government are known as taccavi loans and are lent during emergency, like famines, floods, etc. The rate of interest charged against such loan is as 6%
- (NABARD), Apex Bank which was set up in **1982**.
- TANWA is a project initiated in Tamil Nadu (5th March 2014) to train women in latest agricultural techniques.
- Poultry accounts for the largest share of **42 per cent**
- Operation Flood (or white Revolution) was started by **National Dairy Development Board (NDDB)** in 1970 under the expert guidance of then chairman, Dr. VergheseKurien.
- Horticulture provides employment to around 19 per cent of total labour force.
- Fish production from inland sources contributes about 64 per cent to the total fish production and the balance 36 per cent comes from the marine sector (sea and oceans).
- The total fish production accounts for 0.8 per cent of the total GDP
- 60% of the workforce in export marketing and 40% in internal marketing are women
- The period of 1991-2003 is known as '**Golden Revolution**'
- At present nuclear/atomic energy accounts for only 2 per cent of total primary energy consumption.
- Transmission and Distribution (T&D) Losses, Nation's average loss is 23%.
- Operational Inefficiency, the year **2012-13**, it was **80.25%**
- India bears a frightening 20 per cent of the global burden of diseases.
- Carbon dioxide and methane (CH₄) have increased by 31 per cent and 149 per cent respectively above pre-industrial levels since 1750.
- India signed the Montreal Protocol along with its London Amendment on 17-9-1992.
- India alone accounts for nearly 20 per cent of the world's total iron-ore reserves.
- The government set up the Central Pollution Control Board (CPCB) in **1974**.
- India and Pakistan became independent in **1947**; Republic of China was established in **1949**.
- India announced its **First Five Year Plan for 1951-56**, Pakistan announced its First Five Year Plan, called the Medium Term Plan, in 1956. China announced its First Five Year Plan in 1953.
- Reforms started in India in **1991**, in China in **1978**, and in Pakistan in **1988**.
- 'The Great Leap Forward' was launched in 1958. Its aim was to industrialise the country on a large scale and in as short a time as possible.
- Great Proletarian Cultural Revolution (1966-76).
- In the 1970s, nationalisation of capital good industries took place.
- One-child norm introduced in China in the late 1970s is the major reason for low population growth.
- The 'One Year Performance of the Pakistan Government' for the year **2004-2005** showed GDP growth of **8 per cent** for three consecutive years (**2002-2005**).
- White Revolution, **1970**
- Reserve Bank of India was established in **1935** and Nationalised in **1949**
- First Postal Stamp was launched in **1852**.
- Monopolies and Restrictive Trade Practices Act, **1969**
- Foreign Exchange Regulation Act, **1973**
- National Literacy Mission in **1988**
- Swarnajayanti Gram swarojgar yojana, **1999**
- Establishment of Special Economic Zones, **2012**
- Good & Service Tax, **July 2017**
- Planning commission was replaced by Niti Aayog in **2015**
- Demonetization came in **2016, 8th November**
- MRTP Act 1969 was replaced by Competition **Act in 2002**

- In October 2014, The Government of India introduced a new scheme called Saansad Adarsh Gram Yojana (SAGY)
- In 1995, Kisan Mehta of Prakruti (an NGO) first suggested that cotton, which uses maximum chemical pesticides, could be grown organically.
- 70 per cent of workforce is in rural areas, 30 per cent is in urban areas.
- 2/3 of workforce is in rural India.
- 42% of workers are self-employed and 58% of workers are hired in urban areas.
- 56% of workers are self-employed and 44% of workers are hired in rural areas.
- **51%** of male workers are self-employed and **49%** of male workers are hired.
- **55%** of female workers are self-employed and **45%** of female workers are hired.
- Casualisation of Workforce in the Indian economy from the year 1972 to the year 2000.
- **94 per cent** of the total workforce is employed in informal sector
- Rate of participation for the urban areas is about **34 per cent**.
- Rate of participation for the rural areas is about **42 per cent**.
- Urban areas, rate of participation is about **52 per cent** for men and **14 per cent** for women.
- In rural areas, rate of participation is about **53 per cent** for men and **30 per cent** for women.
- Overall rate of participation in the country is about **40 per cent**.
- Inadequate Expenditure on Education: More than **40 years ago**, the Education Commission (1964-66), **6 per cent** of GDP, little over **4 per cent** which is quite inadequate?
- The Tapas Majumdar Committee, Indian Government in 1998, estimated an expenditure of around Rs. **1.37 lakh crore** over 10 years (1998-99 to 2006-07)
- In **2009**, Right of Education Act, age group of **6-14 years**.
- Govt. of India has also started levying 2% "**education cess**"
- India invests only **34 per cent** of its GDP, China invests 46 per cent and Indonesia invests **35 percent** of its GDP on infrastructure.
- State of rural infrastructure in India: census **2011** shows that in rural India only **60 per cent** households have an electricity connection and **40 per cent** still use kerosene.
- The National Sample Survey Organisation: year **2011**, **85.95 per cent** people
- Commercial Sources of Energy: **50 per cent**
- Coal: Total production of energy in India is **54%**.
- Oil and Gas. less than **32% of country's demand**.
- Consumption Pattern of Commercial Energy: **74 per cent** of total energy consumed in India
- Natural gas at **10 per cent**, hydro energy at **2 per cent**.
- Industrial sector has the highest consumption level, **44 per cent**
- Agriculture sector has share of **18 per cent** in total commercial energy
- Thermal sources accounted for almost **67% per cent**.

CA-CS-CLAT

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CBSE 2016-17

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RBSE 2017-18

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MANAS SOMANI
(CA-IPCC MAY 2018)
Reso Roll No. 17810987

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AIR 91

AIR 260

AIR 277

PRAKASH GUPTA
CLASSROOM STUDENT
NLU, HAIDRABAD

ANANT PRAKASH MISHRA
CLASSROOM STUDENT
NLU, KOLKATA

ABHILASHA GUPTA
CLASSROOM STUDENT
NLU, JOONPUR

CS FOUNDATION TOP PERFORMERS

1 AIR

2 AIR

2 AIR

3 AIR

4 AIR

5 AIR

YOGITA DASWANI
RRN.: 18811204 | JUNE-2019

YUKTI JAIN
RRN.: 18810935 | DEC.-2018

KHUSHI KHURANA
RRN.: 17813470 | DEC.-2017

SHRUTI NAGAR
RRN.: 18813148 | DEC.-2019

ASHITA GOYAL
RRN.: 18811008 | DEC.-2018

RUQQAIYA BETMAWALA
RRN.: 18813161 | DEC.-2019

CS EXECUTIVE TOP PERFORMERS

3 AIR

5 AIR

8 AIR

24 AIR

AAYUSH KAMEDIA
RRN.: 18810589 | JUNE-2019

QASIM SAIF
RRN.: 17813488 | DEC.-2019

RISHI MAHESHWARI
RRN.: 15902716 | JUNE-2016

ASHISH BANKA
RRN.: 17813724 | JUNE-2019

CS PROFESSIONAL

25 AIR

6 AIR

10 AIR

KHUSHI KHURANA
RRN.: 16800720 | DEC.-2019

GIRISH NAGAR
RRN.: 17813488 | DEC.-2014

ADITYA SINGH
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