

பத்தில் ஒருவனாக இருப்பதைவிட
பத்தில் முதல்வனாய் இரு....!

நறுமலர் தீபம் - இணையவழி

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COMMERCE

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Sample Notes

UNIT - I - BUSINESS ORGANISATION AND MANAGEMENT

1. Business

Definition: Business refers to an organized activity where goods and services are produced or exchanged to satisfy human needs and earn profit.

Elements of Business:

It involves economic activities like production, distribution, and trade.

The goal is profit-making by providing value to customers.

Definitions

1. **L.H.Haney:**

"Business may be defined as human activity directed towards producing or acquiring wealth through buying and selling goods."

2. **Wheeler:**

"Business is an institution organized and operated to provide goods and services under the incentive of private gain."

3. **Urwick&Hunt:**

"Business is any enterprise which makes, distributes, or provides any article or service which other members of the community need and are willing to pay for."

4. **Keith&Gubellini:**

"Business refers to those human activities which are directed towards the production and processing of wealth."

5. **Dicksee:**

"Business is a form of activity pursued primarily with the objective of earning profits for the benefit of those on whose behalf the activity is conducted."

6. B.O.Wheeler:

"An institution organized and operated to provide goods and services to society under the incentive of private gain."

Characteristics of Business**1. Economic Activity:**

Business is an economic activity, meaning it is done to earn money and create wealth, not for personal satisfaction or charity.

2. Profit Motive:

The primary objective of business is to earn profit. It ensures growth, survival, and the ability to meet risks.

3. Production or Procurement of Goods and Services:

Businesses either produce goods (e.g., factories) or procure them from producers to sell to consumers. Services like banking and transport also fall under business.

4. Exchange or Sale of Goods and Services:

A business involves the exchange of goods and services for money or other goods. Without exchange, it is not considered a business activity.

5. Risk and Uncertainty:

All businesses face risks like market changes, competition, and economic fluctuations. Entrepreneurs must manage these risks.

6. Continuity in Dealings:

Business activities are not one-time events. They require regular and continuous transactions for long-term success.

7. Customer Satisfaction:

Business success depends on fulfilling customer needs. Satisfied customers lead to repeat business and growth.

8. Dynamic Nature:

Business adapts to changes in the environment, such as advancements in technology, changes in consumer preferences, and government regulations.

9. Legal Activity:

Business activities must comply with the laws and regulations of the country.

10. Creation of Utility:

Businesses create utilities like:

- **Form Utility:** Changing raw materials into finished goods.
- **Place Utility:** Transporting goods to the right location.
- **Time Utility:** Storing goods for future use.

Importance of Business

1. **Employment Generation:** Creates jobs for individuals in various sectors like manufacturing, trade, and services.
2. **Economic Growth:** Contributes to the development of the economy by generating revenue and taxes.
3. **Improved Living Standards:** Provides goods and services that enhance people's quality of life.
4. **Innovation:** Drives technological advancements and innovative solutions.
5. **Foreign Exchange Earnings:** Export-oriented businesses earn foreign currency for the country.

DETAILED SUMMARY

Economic Activity	Done for earning money, not for personal satisfaction.
Profit Motive	Aims to generate profit for growth and sustainability.
Exchange of Goods	Involves buying and selling goods and services.
Risk and Uncertainty	Business involves handling unpredictable situations.
Continuity	Requires regular and consistent transactions.
Customer Satisfaction	Focus on fulfilling customer needs to ensure success.
Dynamic Nature	Adapts to changes in technology, market trends, and policies.
Legal Activity	Operates within the framework of laws and regulations.
Utility Creation	Adds value by creating form, place, and time utilities.

1. What is the primary objective of business?

- (A) **To earn profit**
- (B) To provide social welfare
- (C) To ensure sustainability
- (D) To promote government policies

2. Which of the following is a characteristic of business?

- (A) Risk-free environment
- (B) **Profit motive**
- (C) Non-economic activity
- (D) Uncertainty of profit

3. Which of the following characteristics of business is associated with its ability to face unpredictable market conditions?

- (A) Profit motive
- (B) **Risk-bearing**
- (C) Regularity
- (D) Economic activity

4. According to Peter Drucker, business is primarily concerned with:

- (A) Maximizing profit for owners
- (B) **Innovation and customer satisfaction**
- (C) Social welfare
- (D) Government intervention

5. According to William G. Scott, business refers to:

- (A) **The activity of producing and selling goods to meet the needs of the consumer**
- (B) Any activity undertaken to avoid risks
- (C) Non-profit organizations operating in a community

UNIT III

BANKING, INSURANCE, FINANCIAL MARKETS AND AUDITING

1. Indian Banking System Overview

The Indian banking system is a **dual-structured banking system**, comprising:

1. **Regulatory Authority:** Reserve Bank of India (RBI).
2. **Types of Banks:**

Scheduled Banks

Non-Scheduled Banks

Scheduled Banks are included in the **Second Schedule of the RBI Act, 1934**, and comply with RBI norms. Non-Scheduled Banks do not fall under this schedule but still operate under RBI regulations.

Banking Structure in India

The banking structure in India can be divided into various categories:

Reserve Bank of India (RBI)

The **RBI**, established in **1935**, is the **central bank of India** and plays a critical role in regulating and supervising the Indian financial system.

Functions of RBI:

1. **Monetary Authority:**

Formulates and implements **monetary policy** to control inflation, money supply, and interest rates.

2. Issuer of Currency:

Issues currency notes and manages the circulation of money in the economy.

Except for **one-rupee notes**, the RBI is the sole issuer of currency.

3. Regulation of Commercial Banks:

Regulates and supervises banks, ensuring financial stability and sound banking practices.

4. Government's Banker and Public Debt Manager:

Acts as a banker to the government and manages the government's accounts and borrowings.

5. Foreign Exchange Management:

Manages India's foreign exchange reserves and ensures currency stability through the **FEMA Act**.

6. Developmental Role:

Promotes financial inclusion and innovation in banking.

7. Lender of Last Resort:

Provides emergency financial assistance to banks during crises.

Public Sector Banks (PSBs)

Definition: Banks in which the Government of India owns a majority stake (more than 50%).

Examples:

State Bank of India (SBI)

Punjab National Bank (PNB)

Bank of Baroda (BOB)

Features:

Extensive rural and urban presence.

Focus on social welfare and government schemes.

Stability and trust due to government ownership.

Significance:

Key drivers of financial inclusion.

Implement government programs like **Jan Dhan Yojana** and **PMMY (Mudra Loans)**.

Private Sector Banks

Definition: Banks owned and managed by private individuals or corporations.

Examples:

HDFC Bank

ICICI Bank

Axis Bank

Kotak Mahindra Bank

Features:

Technology-driven services.

Customer-centric approach.

Profit-oriented business model.

Significance:

- Promote efficiency, innovation, and competition in the banking sector.
- Provide modern banking facilities like internet banking, mobile banking, etc.

Foreign Banks

Definition: Banks with headquarters outside India but operating branches within the country.

Examples:

HSBC

Citibank

Standard Chartered Bank

Features:

Cater to international businesses and high-net-worth clients.

Advanced technology and financial services.

Significance:

- Enhance international financial integration.

- Provide expertise in **trade finance** and **foreign exchange management**.

Regional Rural Banks (RRBs)

Definition: RRBs are regional-level banks that focus on rural development and agriculture. They are jointly owned by the **Government of India, the State Government, and Sponsor Banks**.

Examples:

Aryavart Bank

Prathama Bank

Features:

Provide credit and banking services to rural and semi-urban areas.

Promote agricultural finance and small-scale industries.

Significance:

- Financial inclusion for rural populations.
- Support for farmers, artisans, and small businesses.

Urban Cooperative Banks (UCBs)

Definition: Cooperative banks operating in urban and semi-urban areas.

Features:

- Focus on small businesses and low-income groups.
- Customer-owned and managed under cooperative principles.

Significance:

- Provide accessible and affordable financial services.
- Support small-scale industries, traders, and urban communities.

Payment Banks

Definition: Introduced by RBI to extend financial services to unbanked populations.

Examples:

Paytm Payments Bank

Airtel Payments Bank

India Post Payments Bank (IPPB)

Features:

Accept deposits up to ₹2 lakh.

Provide remittance services, bill payments, and mobile banking.

Cannot offer loans or issue credit cards.

UNIT - VI

FINANCIAL ACCOUNTING

1. INTRODUCTION TO ACCOUNTING

Accounting is the process of recording, classifying, summarizing, and interpreting financial transactions to provide useful information for decision-making. It is often referred to as the "language of business."

Key Points:

- **Definition of Accounting:** Accounting is the art of recording, classifying, and summarizing financial transactions in a systematic manner to determine profit or loss and the financial position of an entity.
- **Objectives of Accounting:**
 - To maintain systematic records of financial transactions.
 - To ascertain the financial position of the business.
 - To provide information for decision-making.
 - To comply with legal requirements (e.g., tax filings).
- **Functions of Accounting:**
 - Recording:** Keeping a systematic record of financial transactions.
 - Classifying:** Grouping similar transactions under appropriate heads.
 - Summarizing:** Preparing financial statements like the Balance Sheet and Profit & Loss Account.
 - Analyzing and Interpreting:** Drawing meaningful conclusions from financial data.
 - Communicating:** Sharing financial information with stakeholders.
- **Users of Accounting Information:**

Internal Users: Management, employees.

External Users: Investors, creditors, government, tax authorities, etc.

2.ACCOUNTING CONCEPTS AND CONVENTIONS

Accounting concepts and conventions are the fundamental principles that guide the preparation and presentation of financial statements.

Accounting Concepts:

- 1. Business Entity Concept: The business is treated as a separate entity from its owners. Personal transactions of owners are not recorded in the business books.**
- 2. Money Measurement Concept: Only transactions that can be expressed in monetary terms are recorded.**
- 3. Going Concern Concept: It is assumed that the business will continue to operate in the foreseeable future.**
- 4. Accounting Period Concept: The life of a business is divided into smaller periods (e.g., a year) for reporting purposes.**
- 5. Cost Concept: Assets are recorded at their purchase price (historical cost) and not at their market value.**
- 6. Dual Aspect Concept: Every transaction has two aspects – debit and credit. This forms the basis of the double-entry system.**
- 7. Revenue Recognition Concept: Revenue is recognized when it is earned, not necessarily when cash is received.**
- 8. Matching Concept: Expenses should be matched with the revenues they help generate in the same accounting period.**
- 9. Objectivity Concept: Financial statements should be based on objective evidence, not subjective opinions.**
- 10. Consistency Concept: Accounting methods and policies should remain consistent over time to allow for comparability.**

Accounting Conventions:

- 1. Convention of Conservatism: Anticipate no profits but provide for all possible losses (e.g., creating provisions for doubtful debts).**
- 2. Convention of Full Disclosure: All material information should be disclosed in the financial statements.**

3. **Convention of Materiality:** Only significant information should be reported; insignificant details can be ignored.
4. **Convention of Consistency:** The same accounting methods should be used consistently over time.

Indian Accounting Standards (Ind AS)

Indian Accounting Standards (Ind AS) are accounting standards issued by the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI). These standards are aligned with International Financial Reporting Standards (IFRS).

Key Points:

Objective of Ind AS: To bring uniformity, transparency, and comparability in financial reporting.

Applicability of Ind AS:

Mandatory for listed companies, unlisted companies with a net worth of ₹250 crore or more, and holding/subsidiary companies of such entities.

Voluntary adoption for other companies.

List of Important Ind AS:

Ind AS 1: Presentation of Financial Statements.

Ind AS 2: Inventories.

Ind AS 16: Property, Plant, and Equipment.

Ind AS 17: Leases.

Ind AS 18: Revenue.

Ind AS 19: Employee Benefits.

Ind AS 20: Accounting for Government Grants.

Ind AS 32 & 39: Financial Instruments.

Benefits of Ind AS:

Enhances comparability with global financial statements.

Improves transparency and reliability of financial reporting.

Facilitates cross-border investments.

Accounting Equation

The accounting equation is the foundation of the double-entry system. It represents the relationship between a company's assets, liabilities, and equity.

Formula:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

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- **Assets:** Resources owned by the business (e.g., cash, inventory, machinery).
- **Liabilities:** Obligations of the business (e.g., loans, creditors).
- **Equity:** Owner's claim on the assets after deducting liabilities (e.g., capital, retained earnings).

Example:

If a business has:

- **Assets = ₹10,00,000**
- **Liabilities = ₹4,00,000**
- **Equity = ₹6,00,000**

The accounting equation will be:

$$10,00,000 = 4,00,000 + 6,00,000$$

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Double Entry System

The double-entry system is the standard method of recording financial transactions. It is based on the principle that every transaction has two equal and opposite effects.

Key Principles:

1. **Dual Aspect:** Every transaction affects at least two accounts.
2. **Debit and Credit:** For every debit, there is an equal and corresponding credit.

Debit (Dr): Represents an increase in assets or expenses and a decrease in liabilities or income.

UNIT - VIII

COST AND MANAGEMENT ACCOUNTING

1. COST TERMINOLOGY

COST TERMINOLOGY

- ❖ **COST:** Cost means the amount of expenditure incurred on a particular thing.
- ❖ **COSTING:** Costing means the process of ascertainment of costs.
- ❖ **COST ACCOUNTING:** The application of cost control methods and the ascertainment of the profitability of activities carried out or planned”.
- ❖ **COST CONTROL:** Cost control means the control of costs by management. Following are the aspects or stages of cost control.
- ❖ **JOB COSTING:**It helps in finding out the cost of production of every order and thus helps in ascertaining profit or loss made out on its execution. The management can judge the profitability of each job and decide its future courses of action.
- ❖ **BATCH COSTING:** Batch costing production is done in batches.

Cost-Meaning:

An amount that has to be paid or given up in order to get some thing. In business, cost is usually a monetary valuation.

COST ACCOUNTING

Cost accounting is concerned with recording, classifying and summarizing cost for determination of costs of products or services, planning, controlling and reducing such costs and furnishing information.

Definition:

According to Weldon, "Cost accounting is the application of accounting and costing principles, methods and techniques in the ascertainment of costs and the analysis of saving/or excess cost incurred as compared with previous experience or with standards". Thus, cost accounting relates to the collection, classification, ascertainment of cost and its accounting and control relating to the various elements of cost.

OBJECTIVES OF COST ACCOUNTING:

Objectives:

1. To ascertain the **cost per unit** of the different products manufactured by a business concern;
 2. To provide a **correct analysis** of cost both by process or operations and by different elements of cost;
 3. To **disclose sources of wastage** whether of material, time or expense or in the use of machinery, equipment and tools and to prepare such reports which may be necessary to control such wastage,
 4. To provide requisite data and serve as a guide for **fixing prices** of products manufactured or services rendered;
 5. To ascertain the **profitability** of each of the products and advise management as to how these profits can be maximised;
- To exercise **effective control** if stocks of raw materials, work-in-progress, consumable stores and finished goods in order to minimise the capital locked up in these stocks;
7. **To reveal sources** of economy by installing and implementing a system of cost control for materials, labour and overheads;

8. **To advise management** on future expansion policies and proposed capital projects;
9. To **present and interpret data** for management planning, evaluation of performance and control;
10. To help in the **preparation of budgets** and implementation of budgetary control;
11. To organise an **effective information** system so that different levels of management may get the required information at the right time in right form for carrying out their individual responsibilities in an efficient manner
12. **To guide management** in the formulation and implementation of incentive bonus plans based on productivity and cost savings;
13. To supply **useful data** to management for taking various financial decisions such as introduction of new products, replacement of labour by machine etc.;
14. To help in **supervising** the working of punched card accounting or data processing through computers;
15. To organise the **internal audit** system to ensure effective working of different departments.
16. . To organise **cost reduction** programmes with the help of different departmental managers
17. To provide specialised services of cost audit in order **to prevent the errors and frauds** and to facilitate prompt and reliable information to management; and

18. To **find out costing profit or loss** by identifying with revenues the costs of those products or services by selling which the revenues have resulted.

Others:

- ❖ Ascertainment of costs
- ❖ Estimation of costs
- ❖ Cost control
- ❖ Cost reduction
- ❖ Determining selling price
- ❖ Facilitating preparation of financial and other statement
- ❖ Providing basis for operating policy.

IMPORTANCE OF COST ACCOUNTING

1. Helps in controlling cost:

Cost accounting helps in controlling cost by applying some techniques such as standard costing and budgetary control.

2. Provides necessary cost information:

It provides necessary cost information to the management for planning, implements and controlling.

3. Ascertains the total per unit cost of production:

It ascertains the total and per unit cost of production of goods and services that helps to fix the selling prices as well.

4. Introduces cost reduction programs:

It helps to introduce and implement different cost reduction programs.

5. Discloses the profitable and non-profitable activities:

It discloses the profitable and non-profitable activities that enable management to decide to eliminate or control unprofitable activities and expand or develop the profitable activities.

6. Provides information for the comparison of cost:

It provides reliable data and information which enable the comparison of cost between periods, volume of output, determent and processes.

7. Checks the accuracy of financial accounts:

It helps checking the accuracy of financial accounts. This is done by preparing cost reconciliation statement.

8. Helps invest and financial institutions:

It is also advantageous to investment and financial institutions since it discloses the profitability and financial position in which they intend to invest.

9. Beneficial to workers:

It is beneficial to workers as well since it emphasizes the efficient utilization of labour and scientific systems of wages payment.

10. Assists in increasing productivity

Productivity of material and labour is required to be increased to have growth and more profitability in the organisation costing renders great assistance in measuring productivity and suggesting ways to improve it.

11.Helps in cost reduction:-

Costs can be reduced in the long run when alternatives are tried. This is particularly important ion the present day context of global competition cost accounting has assumed special significance beyond cost control this way.

Scope of Cost Accounting:

- ❖ Scope refers to **field activity**.
- ❖ It is concerned with ascertainment of **cost control**
- ❖ It is **helpful to the management** forcost control.
- ❖ **Cost reduction** through functions of planning, decision making and control