Mail to faculty
1/8/23

Guru Gobind Singh Indraprastha University

"A State University established by the Govt. of NCT of Delhi"
Sec-16-C, Dwarka Campus, Delhi-110 078 Website: www.ipu.ac.in

OFFICE OF DIRECTOR (ACADEMIC AFFAIRS)

Ref. No. GGSIPU/DAA/2023/ 066 27th July, 2023

Subject: **Academic Calendar for the Academic Session 2023-24**

The Academic Calendar for the Academic Session 2023-24 for all programmes covered by Ordinance 11 is enclosed herewith. The same may be adhered to for the conduct of academic program(s) offered by the University Schools and affiliated Colleges/Institutions.

This issues with the approval of the Competent Authority.

Prof. C.S. Rai
Director, Academic Affairs

Copy forwarded for the needful to:-

1. Dean, USIC&T
2. Dean, USBT
3. Dean, USCT
4. Dean, USBAS
5. Dean, USMS
6. Dean, USLLS
7. Dean, USEM
8. Dean, USAP
9. Dean, USHSS
10. Dean, USM&PMHS
11. Dean, USMC
12. Dean, USE
13. Dean, USDI
14. Dean, USAR
15. Controller of Examination
16. Controller of Finance
17. Librarian, UIRC
18. All Directors (CDMS, CEPS, Students' Welfare, International Affairs, Research & Consultancy, Director Development, Legal Aids, CHVE, CCPGC)
19. All Principals / Directors of the Affiliated Colleges / Institutions
20. All Joint Registrars/ Deputy Registrars/ Branch Head
21. AR to Vice Chancellor for information to Hon'ble Vice Chancellor, please
22. AR to Registrar for information to Registrar, please
23. Head UITS, with the request to upload the Academic Calendar on the University Website
24. Office Copy

Col. Yogesh Bhatti (Retd.)
Assistant Registrar

GURU GOBIND SINGH INDRAPRASTHA UNIVERSITY

Sector 16 C, Dwarka, Delhi- 110078 (website: www.ipu.ac.in)

OFFICE OF THE DIRECTOR (ACADEMIC AFFAIRS)

Academic Calendar for Academic Session: 2023-24
For all programmes covered by Ordinance 11
(University Schools of Studies & Affiliated Colleges/Institutions)

S. No.	ODD SEMESTER 2023-24	DURATION	
		From	To
1	Imparting of instruction and / or laboratory work including continuous evaluation by teachers, semester end Lab/Practical/ term paper evaluation/ NUES etc. For Odd Semesters (First, Third, Fifth, Seventh & Ninth Semesters) (18 weeks duration, with 5 days' of weekly working)	21.08.2023 (Monday)	22.12.2023 (Friday)
2	Sports Meet	19.10.2023 (Thursday)	21.10.2023 (Saturday)
3	Preparatory Leave	23.12.2023 (Saturday)	29.12.2023 (Friday)
4	Term End Examinations	30.12.2023 (Saturday)	17.01.2024 (Wednesday)
5	Winter Vacation	18.01.2024 (Thursday)	24.01.2024 (Wednesday)

S. No.	EVEN SEMESTER 2023-24	DURATION	
		From	To
1	Imparting of instruction and / or laboratory work including continuous evaluation by teachers, semester end Lab/Practical/ term paper evaluation/ NUES etc. For Even Semesters (Second, Fourth, Sixth, Eighth & Tenth Semester) (18 weeks duration, with 5 days working)	25.01.2024 (Thursday)	29.05.2024 (Wednesday)
2	Anugoonj	08.02.2024 (Thursday)	10.02.2024 (Saturday)
3	Preparatory Leave	30.05.2024 (Thursday)	05.06.2024 (Wednesday)
4	Term End Examination	06.06.2024 (Thursday)	26.06.2024 (Wednesday)
5	Summer Vacation	27.06.2024 (Thursday)	31.07.2024 (Wednesday)

Important Notes:

a) Term End Semester Examination schedules for various programmes shall be notified by the Office of the Controller of Examinations (I).

b) The concerned Deans/Directors are advised to conduct continuous evaluation as per provision under Clause 10.5 (i) of Ordinance 11.

c) To compensate for delay in the admission process (if any), the Deans of the Schools and Directors of the Centres may issue guidelines for conduction of classes on Saturdays.

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DELHI INSTITUTE OF ADVANCED STUDIES

Plot No. 6, Sector-25, Rohini, Delhi-110085
Re-Accredited with 'A' Grade by NAAC
(Approved by AICTE & Affiliated with GGSIP University for B.Com(H), BBA, MBA & MBA (FM) Programmes)
(An ISO 9001:2015 Certified Institution)

Date: 07.08.2023

TEACHING / EXAMINATION SCHEDULE – I, III & V SEMESTER
ACADEMIC YEAR 2023 - 2024

Imparting of Instructions	________	21.08.2023 to 22.12.2023
Submission of Question Bank & Lecture Plan	________	27.09.2023
Submission of Date sheet for Theory, Practical (1st Internal) Test and	________	10.11.2023
Submission of Attendance and Progress Advice to Co-ordinators by faculty.	________	13.11.2023
Submission of Attendance & Progress Advice to A.O. by Coordinators.	________	15.11.2023
INTERNAL TEST	________	**20.11.2023 to 25.11.2023**
Imparting of Instructions	________	28.11.2023 to 22.12.2023
Submission of Date Sheet for Retest	________	04.12.2023
Submission of Award List and Answer Script of 1st Internal Examination (i) To the Coordinators by the faculty	________	06.12.2023
Feedback of faculty all courses	________	11.12.2023
Attempt for Absentees	________	11.12.2023 to 14.12.2023
Submission of Attendance & Progress Advice (i) To the Coordinators by the faculty:	________	26.12.2023
(ii) To the A.O. (Academics) by the Coordinators:	________	27.12.2023

Submission of Final Award List for Display on Notice Board	________	28.12.2023 to 30.12.2023
Preparatory Leave	________	23.12.2023 to 29.12.2023
END TERM EXAMS	________	30.12.2023 to 17.01.2024
Break	________	18.01.2024 to 24.01.2024
Commencement of Even Semester	________	25.01.2024

The schedule may change under emergent circumstances.

Academic Coordinators **BBA/B.Com(H)/MBA/MBA(FM) Coordinator(s)** **Director**

*** Submission of documents to the office should be made latest by 2:00 pm on the specified dates.**

C.C.: (i) All Course Coordinators
(ii) All Faculty Members.

DELHI INSTITUTE OF ADVANCED STUDIES

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(An ISO 9001:2015 Certified Institution)

Date: 03.02.2024

TEACHING / EXAMINATION SCHEDULE – II, IV & VI SEMESTER
ACADEMIC YEAR 2023 - 2024

Imparting of Instructions	________	25.01.2024 to 29.05.2024
Submission of Question Bank & Lecture Plan	________	12.03.2024
Presentations for IInd Sem.	________	27.03.2024 to 30.03.2024
Submission of Date sheet for Theory, Practical (1st Internal) Test and	________	15.04.2024
Submission of Attendance and Progress Advice to Co-ordinators by faculty.	________	15.04.2024
Submission of Attendance & Progress Advice to A.O. by Coordinators.	________	16.04.2024
INTERNAL TEST	________	**22.04.2024 to 27.04.2024**
Imparting of Instructions	________	29.04.2024 to 29.05.2024
Submission of Date Sheet for Retest	________	07.05.2024
Submission of Award List and Answer Script of 1st Internal Examination (i) To the Coordinators by the faculty	________	10.05.2024
Attempt for Absentees	________	14.05.2024 to 17.05.2024.
Feedback of faculty all courses	________	22.05.2024
Submission of Attendance & Progress Advice (i) To the Coordinators by the faculty:	________	30.05.2024
(ii) To the A.O. (Academics) by the Coordinators:	________	31.05.2024

Submission of Final Award List for Display on Notice Board	________	03.06.2024 to 05.06.2024
Preparatory Leave	________	30.05.2024 to 05.06.2024
END TERM EXAMS	________	06.06.2024 to 26.06.2024
Break	________	27.06.2024to 31.07.2024

The schedule may change under emergent circumstances.

Academic Coordinators **BBA/B.Com(H)/MBA/MBA(FM) Coordinator(s)** **Director**

*** Submission of documents to the office should be made latest by 2:00 pm on the specified dates.**

C.C.: (i) All Course Coordinators

(ii) All Faculty Members.

LECTURE PLAN

ACCOUNTING FOR MANAGEMENT

MS 107

COURSE OUTLINE
MBA-I SEMESTER
ACCOUNTING FOR MANAGEMENT – MS107

COURSE OBJECTIVES

The course aims at enabling students to understand the basic accounting principles and techniques of preparing & presenting the accounts for users of accounting information. The course also familiarizes the students with the basic cost and the management accounting concepts and their applications in managerial decision making.

COURSE OUTCOMES

At the end of the course, a student will be able to:

- Appreciation of fundamental accounting principles and develop understanding of using accounting information for business decision making.
- Capacity to understand various implications of accounting information.
- Ability to analyze the decision-making context with regard to the accounting information.
- General awareness of accounting mechanisms and role of accounting rules.
- Acquisition of skills necessary to read and understand financial statements.

INTERNAL ASSESSMENT AND ASSIGNMENT	**40 marks**
1. Class Test-I – (Written test)	15 marks
2. Class Presentations/Assignments	15 marks
3. Class Assessment + Attendance	10 (5+5) marks

COURSE CONTENTS: (Unit-wise Syllabus)

UNIT I – Financial Accounting

Scope and Nature of Accounting, Accounting concepts, Principles & Standards, Accounting Cycle, Journalisation, Subsidiary Books; Ledger Posting, Preparation of Trial Balance, Rectification of Errors. Capital and Revenue Expenditure & Income. Fixed Assets and Depreciation Accounting. Preparation of Final Accounts, Manufacturing Account; Trading Account, Profit and Loss Account; Balance Sheet (with adjustments). (12 Hours)

UNIT II – Cost Accounting

Objectives, Classification of Cost, Preparation of Cost Sheet, Material Cost Accounting, Perpetual Inventory Control, Inventory Valuation, EOQ, ABC Analysis, Setting of Reorder Level, Maximum Level, Minimum Level, Labour Costing, Overhead Cost Allocations, Over and Under Absorption (10 Hours)

UNIT III - Performance Evaluation Techniques

Introduction to Budgeting and Budgetary Control; Performance Budgeting; Classification of Budget; Fixed and Flexible Budgets, Zero Based Budgeting, Standard Costing and Variance Analysis; Balanced Scorecard; Responsibility Accounting. (10 Hours)

UNIT IV - Decision Making Techniques

Financial Statement Analysis, Ratio Analysis, Common Size Statements, Du Pont Analysis, Marginal Costing, Application of Marginal Costing in Decision Making, Cost Volume Profit Analysis; Profit Planning, Management Accounting for Decision Making and Control; EVA; Introduction to Activity Based Costing, Target Costing, Life Cycle Costing; Uniform Costing.
(10 Hours)

STUDY MATERIAL FOR THE SUBJECT

Following will be the study material for topics of Accounting for Management, and students are advised to go through the material for thorough understanding of the subject:

MAIN TEXTBOOKS

1. **Author's Name(s):** SN Maheshwari, Suneel K Maheshwari & Sharad K Maheshwari
   Title: Accounting for Management
   Edition: Fifth Edition **Year:** 2022
   Publisher: Vikas Publishing House **(ibid 1)**

REFERENCE BOOKS

1. **Author's Name(s):** S. Ramanathan
   Title: Accounting for Management
   Edition: Fourth Edition **Year:** 2018
   Publisher: Oxford University Press **(ibid 2)**
2. **Author's Name(s):** M N Arora
   Title: Cost Accounting
   Edition: Fourth Edition **Year:** 2009
   Publisher: Vikas Publishing House **(ibid 3)**
3. **Author's Name(s):** M Y Khan and P K Jain
   Title: Financial Management
   Edition: Second Reprint **Year:** 2019
   Publisher: Mc Graw Hill **(ibid 4)**
4. **Author's Name(s):** Sanjay Dhamija
   Title: Financial Accounting for Managers
   Edition: Third Impression **Year:** 2020
   Publisher: Pearson India Education Services **(ibid 5)**
5. **Author's Name(s): Dr.** RP Rustagi
   Title: Financial Management
   Edition: Fifth Edition **Year:** 2011
   Publisher: Taxmann Publications (P) Ltd. **(ibid 6)**

E-BOOKS

1. https://ebooks.lpude.in/management/mba/term_1/DMGT403_ACCOUNTING_FOR_MANAGERS.pdf
2. http://www.untag-smd.ac.id/files/Perpustakaan_Digital_1/ACCOUNTING%20Accounting%20For%20Managers.pdf
3. http://cbseacademic.nic.in/web_material/Curriculum/Vocational/2018/Accounting%20and%20Taxation/Cost%20Accounting%20class%20XI.pdf
4. https://www.icsi.edu/media/webmodules/publications/FULL_BOOK_PP-CMA-2017-JULY_4.pdf

JOURNALS

1. The Accounting Review
2. Journal of Accounting and Finance
3. The Chartered Accountant
4. The Management Accountant
5. The IUP Journal of Accounting Research and Audit Practices

Video Links

1. https://www.youtube.com/channel/UCNh1egMomGI3hjJ0DHExdUg
2. https://www.youtube.com/watch?v=SUQMUc3Z3vs&list=PLLhSIFfDZcUUwKluDIB2exPUYc75Va37x

UNIT I

LECTURE 1

FINANCIAL ACCOUNTING - SCOPE AND NATURE OF ACCOUNTING

OBJECTIVE

Every person performs some commercial or non-commercial activities. Accounting is a language by which economic activities are translated and communicated to the interested parties. The basic objective of this lecture is to acquaint the students with the accounting fundamentals.

CONTENTS

- Definition of Accounting
- Objectives of Accounting
- Nature, Scope and Importance of Accounting
- Branches of Accounting
    - Financial Accounting
    - Cost Accounting
    - Management Accounting
- Accounting and Other Disciplines
- Role of Accountant
- Advantages of Accounting
- Limitations of Accounting

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q1, Q11, Q17, Q19

SHORT ANSWER QUESTIONS

- Q1, Q10, Q17, Q18 & Q19.

LONG ANSWER QUESTIONS

- Q1, Q3, Q11, Q14 & Q17.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 1, Page No. 1.1 – 1.14
2. ibid 2, Page No. 3 – 7

ARTICLES

1. Li, X. J., Xie, W. J., Xu, L., Li, L. L., Jim, C. Y., & Wei, T. B. (2022). Holistic life-cycle accounting of carbon emissions of prefabricated buildings using LCA and BIM. Energy and Buildings, 266, 112136.
2. Chew, Z. L., Tan, E. H., Sathiamurthy, A., Palaniandy, L., Woon, K. S., & Phuang, Z. X. (2023). An integrated life-cycle greenhouse gas protocol accounting on oil palm trunk and empty fruit bunch biofuel production. Science of The Total Environment, 856, 159007.

LECTURE 2 - 3

ACCOUNTING CONCEPTS, PRINCIPLES & STANDARDS

OBJECTIVE

For making accounting information more meaningful for the users, it is necessary to make such information reliable and comparable. This is possible only when it is provided with Accounting Concepts, consistent Principles and Policies. These concepts, principles, policies and the relevant accounting standards will be discussed in this lecture.

CONTENTS

- Introduction and Nature to GAAP
- Meaning of Accounting Principles
- Accounting Concepts
  - ➢ Separate Entity Concept
  - ➢ Going Concern Concept
  - ➢ Money Measurement Concept
  - ➢ Cost Concept
  - ➢ Dual Aspect Concept
  - ➢ Accounting Period Concept
  - ➢ Matching Cost and Revenue Concept
  - ➢ Realization Concept
- Accounting Conventions
  - ➢ Convention of Conservatism
  - ➢ Convention of Full Disclosure
  - ➢ Convention of Consistency
  - ➢ Convention of Materiality
- Accounting Standards
- Accounting Standards in India
- Objectives and Functions of Accounting Standards

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q 2, Q3, Q18, Q22, Q24, Q27 – 28, Q34-39.

SHORT ANSWER QUESTIONS

- Q2 & Q9

LONG ANSWER QUESTIONS

- Q3, Q4, Q5 & Q13.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 1, Page No – 1.19 – 1.32
2. ibid 2, Page No – 24 – 33
3. ibid 5, Page No – 13 – 28

LECTURE 4 – 6

JOURNALISATION & SUBSIDIARY BOOKS

OBJECTIVE

The day-to-day transactions need to be systematically recorded for future reference. All financial transactions are recorded in the journal. These lectures aim to acquaint the students with the procedure of recording the transactions in the journal.

CONTENTS

- Accounting Cycle
- Accounting Terminology
- Journal
- Journal Entry
- Types of Accounts
  - Personal Account
  - Real Account
  - Nominal Account
- Rules of Debit and Credit
- Accounting Equation
- Subsidiary Books

- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q 4, Q7-10, Q31

SHORT ANSWER QUESTIONS

- Q7 & Q14

LONG ANSWER QUESTIONS

- Q2

SUGGESTED READINGS:

TEXT BOOK

1. ibid 1, Page No 1.69 – 1.88
2. ibid 2, Page No – 39 – 46
3. ibid 5, Page No – 36 – 69

ARTICLES

1. Gao, J. (2022). Analysis of enterprise financial accounting information management from the perspective of big data. International Journal of Science and Research (IJSR), 11(5), 1272-1276.
2. Santiago, E., Caballero, A., Köpke, C., & Novo, I. (2023). Estimation of the contemporary effective population size from SNP data while accounting for mating structure. Molecular Ecology Resources.

LECTURE 7 – 8

LEDGER POSTING, PREPARATION OF TRIAL BALANCE & RECTIFICATION OF ERRORS

OBJECTIVE

The posting of the Journal entries to the general ledger accounts is a means of organizing all of the transactions affecting the accounts of a business. The ledgers allow a business to keep running totals and check balances of individual accounts with the help of Trial balance.

CONTENTS

- Ledger
- Ledger Posting
- Rules Regarding Posting

- Trial Balance
- Preparation of Trial Balance
- Rectification of Errors
- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q5, Q6, Q20, Q30, Q40.

SHORT ANSWER QUESTIONS

- Q3, Q11, Q15

LONG ANSWER QUESTIONS

- Q7, Q12 & Q19

SUGGESTED READINGS:

TEXT BOOK

4. ibid 1, Page No – 1.90 – 1.102
5. ibid 2, Page No – 46 – 52

ARTICLES

1. Simanjuntak, Y. S. M., Ardiansyah, A., & Muda, I. (2022). Prepare a Trial Balance and The Function. Journal of Positive School Psychology, 6(3), 2405-2410.
2. Hermawan, B., Wiriasto, G. W., & Akbar, L. A. S. I. (2023). Aksyaa-Android Application Accounting Information System. Journal of Computer Science and Informatics Engineering (J-Cosine), 7(1), 68-75.

LECTURE 10

DEPRECIATION ACCOUNTING

OBJECTIVE

The concept of Depreciation is closely linked with the concept of business income and expenditures. The aim of this lecture is to explain computation of Depreciation.

CONTENTS

- Capital and Revenue Expenditures

- Capital and Revenue Incomes
- Depreciation
- Causes of Depreciation
- Methods of Depreciation

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q13, 15, Q29, Q33.

SHORT ANSWER QUESTIONS

- Q4, Q8

LONG ANSWER QUESTIONS

- Q6, Q9, Q10, Q15 & Q16.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 1, Page No – 1.290 – 1.325
2. ibid 2, Page No – 89 – 99
3. ibid 5, Page No – 254 - 264

ARTICLES

1. Conant, D., & Chaille, S. (2022). Asset depreciation method comparison: An excel-based classroom exercise. Journal of Education for Business, 97(5), 351-356.
2. Li, Y., Zhao, Q., Wang, Y., & Man, L. (2023, March). A Forecasting Model for Fixed Assets Depreciation in Chinese Provincial Power Grid Enterprises. In Proceedings of the 2nd International Conference on Information, Control and Automation, ICICA 2022, December 2-4, 2022, Chongqing, China.

LECTURE 11 - 12

PREPARATION OF FINAL ACCOUNTS

OBJECTIVE

Preparing financial statements, including the balance sheet is the most important step in the accounting cycle because it represents the purpose of financial accounting. These lectures will demonstrate how to accurately prepare financial statements for businesses.

CONTENTS

- Introduction to Final Accounts
- Trading Account
- Profit and Loss Account
- Manufacturing Account
- Balance Sheet
- Adjustment Entries
- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q12, Q14, Q16, Q21, Q23, Q25, Q26, Q32.

SHORT ANSWER QUESTIONS

- Q5, Q6, Q12, Q13, Q16 & Q20.

LONG ANSWER QUESTIONS

- Q8, Q18 & Q20.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 1, Page No – 1.182 – 1.258

UNIT – II

LECTURE 13 - 14

COST ACCOUNTING

OBJECTIVE

Cost accounting is the process of accounting for cost. Cost accounting primarily deals with collection, analysis of relevant cost data for interpretation and presentation for various problems of management. This lecture aims to discuss the fundamentals of cost accounting.

CONTENTS

- Meaning of Cost Accounting
- Objectives of Cost Accounting
- Cost and Cost Classification
- Cost Ascertainment and Cost Estimation

- Elements of Cost
  - Material Cost
  - Labour Cost
  - Expenses Cost
    - Prime Cost
    - Overheads Cost
- Cost Sheet (Cost Statement)
- Installation of Costing System
- Advantages of Cost Accounting

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q1 – 3, Q5 – 7, Q14, Q16 – 19, Q39.

SHORT ANSWER QUESTIONS

- Q1(e), Q2, Q9 & Q15,

LONG ANSWER QUESTIONS

- Q4, Q15 & Q20.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 1, Page No – 2.11 – 2.22
2. ibid 1, Page No – 2.28 – 2.50
3. ibid 2, Page No – 293 – 315
4. ibid 3, Page No – 1.1 – 1.47

ARTICLES

1. Rashidov, U., & Rashidov, A. (2022). Assessment of Costs for the Quality of Logistics Activities. INTERNATIONAL JOURNAL OF BUSINESS DIPLOMACY AND ECONOMY, 1(3), 39-43.

LECTURE 15 - 18

MATERIAL COST ACCOUNTING

OBJECTIVE

The efficiency in procurement of materials and pricing of issues affects the profitability computations. These lectures aim to provide the details of documentation used in procurement of materials and it's stocking along with the various methods of pricing material issues.

CONTENTS

- Material Control (Inventory Control)
- Objectives of Material Control
- Techniques of Material Control
  - ABC Technique
  - Stock Levels – Minimum, Maximum and Re-order Levels
  - Economic Order Quantity (EOQ)
  - Proper Purchase Procedure
  - Proper Storage of Materials
  - Inventory Turnover Ratio
  - Perpetual Inventory System
- Purchase of Materials
- Methods of Pricing Material Issues
  - FIFO Method
  - LIFO Method
  - Average Cost Methods

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q4, Q8 – 9, Q11, Q13, Q15, Q 20 – 23, Q27 – 28, Q40

SHORT ANSWER QUESTIONS

- Q3, Q4, Q5, Q6, Q7, Q12, Q13, Q17 & Q19.

LONG ANSWER QUESTIONS

- Q1, Q7, Q8, Q9, Q13, Q14 & Q19.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 2, Page No – 316 – 337
2. ibid 3, Page No – 2.1 – 2.84

ARTICLES

1. Burxonovich, M. R. (2022). The Importance of Basic Materials and Technological Losses In Increasing Economic Efficiency In The Formation Of Cost. Web of Scientist: International Scientific Research Journal, 3(1), 727-732.

LECTURE 19 – 20

LABOUR COST CONTROL

OBJECTIVE:

Labor is considered as an essential cost element in any manufacturing organization. Thus, it becomes necessary to learn the optimum utilization of labour. These lectures aim to acquaint the students with the effective utilization of labor to reduce the manufacturing cost of the production.

CONTENTS

- Labour Cost
  - Direct Labour Cost
  - Indirect Labour Cost
- Labour Turnover
- Causes of Labour Turnover
- Labour Remuneration
- Methods of Labour Remuneration
  - Time Rate
  - Piece Rate
  - Incentive Plans
- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q11, Q23 – 26, Q 31

SHORT ANSWER QUESTIONS

- Q8, Q11, Q14, Q18 & Q20.

LONG ANSWER QUESTIONS

- Q10, Q11, Q12 Q17.

SUGGESTED READINGS:

TEXT BOOK

3. ibid 3, Page No – 3.1 – 3.69

ARTICLES

1. Baglioni, E. (2022). The making of cheap labour across production and reproduction: control and resistance in the Senegalese horticultural Value Chain. Work, Employment and Society, 36(3), 445-464.

LECTURE 21

OVERHEAD COST ALLOCATION

OBJECTIVE:

Overheads are the indirect costs which cannot be allocated to any specific job or process. Overheads cannot be economically identified with specific saleable cost units. This lecture aims to impart the procedure of classification and allocation of overheads to its respective cost centres.

CONTENTS

- Meaning of Overhead Cost
- Classification of Overhead Costs
  - Functions
    - Production Overheads
    - Administrations Overheads
    - Selling and Distribution Overheads
  - Nature
    - Indirect Materials
    - Indirect Labour
    - Indirect Expenses
  - Variability
    - Fixed Overhead
    - Variable Overhead
    - Semi-Variable Overhead
- Overhead Distribution
- Allocation and Apportionment of Overhead Distribution
- Basis of Apportionment
- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q 29 – 30, Q32 – 36,

SHORT ANSWER QUESTIONS

- Q1 (a, b & d)

LONG ANSWER QUESTIONS

- Q3 & Q5.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 3, Page No – 4.1 – 4.21
2. ibid 3, Page No – 4.56 – 4.70

ARTICLES

1. Muslimah, A. Y. (2023). The Role of Variance Analysis as a Project Costs Controlling Tool. Jurnal Riset dan Aplikasi: Akuntansi dan Manajemen, 6(2).

LECTURE 22

OVER AND UNDER ABSORPTION

OBJECTIVE:

The basic objective of these lectures is to provide the understanding of methods of treating over and under absorption of overheads.

CONTENTS

- Absorption of Overhead
- Methods of Absorption of Production Overhead
- Under-absorption and Over-absorption of Overheads
- Causes of Under-absorption and Over-absorption of Overheads
- Accounting Treatment
- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q 37 - 38

SHORT ANSWER QUESTIONS

- Q1(c), Q10 & Q16

LONG ANSWER QUESTIONS

- Q17 & Q18.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 2, Page No – 338 – 369
2. ibid 3, Page No – 4.22 – 4.55

UNIT – III

LECTURE 23 – 26

PERFORMANCE EVALUATION TECHNIQUES – INTRODUCTION TO BUDGETING AND BUDGETARY CONTROL

OBJECTIVE

Budgeting is a management tool used for short term planning and control. Budgeting is used as a means for obtaining most effective and profitable use of company's resources. These lectures aim to acquaint the students with the process of budget preparation.

CONTENTS

- Introduction
- Meaning of Budget
- Meaning of Budgetary Control
- Budgeting Process
- Limitations of Budgetary Control
- Performance Budgeting
- Forecasts and Budgets
- Installation of Budgetary Control
- Classification of Budgets
  - According to Time
    - Long Term Budget
    - Short Term Budget
    - Current Budget
    - Rolling Budget
  - According to Function
    - Sales Budget
    - Purchase Budget

        - Production Budget
        - Personnel Budget
        - Research Budget
    - According to Flexibility
        - Fixed Budget
        - Flexible Budget
    - According to Purpose
        - Operating Budget
        - Financial Budget
- Zero based Budgeting
- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q1 – 9, Q 11 – 18.

SHORT ANSWER QUESTIONS

- Q1 – Q6, Q15 & Q18.

LONG ANSWER QUESTIONS

- Q1 – Q6, Q11, Q15 & Q18.

SUGGESTED READINGS:

TEXT BOOK

3. ibid 1, Page No. – 4.1 – 4.51
4. ibid 2, Page No. – 609 – 642

ARTICLES

1. Bedford, D. S., Speklé, R. F., & Widener, S. K. (2022). Budgeting and employee stress in times of crisis: Evidence from the Covid-19 pandemic. Accounting, Organizations and Society, 101, 101346.
2. Petit, Y., & Marnewick, C. (2023). Fixed capacity and beyond budgeting: a symbiotic relationship within a scaled agile environment. In Research Handbook on Project Performance (pp. 197-213). Edward Elgar Publishing.

LECTURE 27 - 31

STANDARD COSTING AND VARIANCE ANALYSIS

OBJECTIVE

Standard costing involves the setting of predetermined cost estimates in order to provide a basis for comparison with actual costs. It is not necessary that the pre-determined standards and the actual performance would be same. For analyzing the reasons of these deviations, the study of standard costing and variance analysis is important which will be discussed in these lectures.

CONTENTS

- Meaning of Standard Costing
- Standard Costing as a Management Tool
- Limitations of Standard Costing
- Meaning of Standard Costs
- Standard Costs and Budgeted Costs
- Determination of Standard Costs
- Standard Cost Sheet
- Variance Analysis
- Cost Variance
  - Direct Material
  - Direct Labour
  - Overhead Cost
- Sales Variance
  - With reference to Turnover
  - With reference to Profit
- Control of Variance
- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q10, Q19 – 25, Q29 – 33, Q35,

SHORT ANSWER QUESTIONS

- Q8, Q14, Q16 & Q17.

LONG ANSWER QUESTIONS

- Q3, Q7, Q8, Q9, Q12, Q14, Q16 & Q17.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 1, Page No. – 4.73 – 4.92
2. ibid 1, Page No. – 4.94 – 4.161

3. ibid 2, Page No. – 573 – 608

LECTURE 32

RESPONSIBILITY ACCOUNTING

OBJECTIVE

Responsibility Accounting is a system of control by delegating and locating the responsibility for costs. The lecture aims to discuss in detail about Responsibility Accounting.

CONTENTS

- Responsibility Accounting
- Steps Involved
- Merits of Responsibility Accounting
- Responsibility Centres
- Types of Responsibility Centres
  - Expenses Centres
  - Profit Centres
  - Investment Centres
- Responsibility Centres Vs. Cost Centres
- Balanced Scorecard
- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q26 – 28, Q34, Q36 – 40.

SHORT ANSWER QUESTIONS

- Q11 – Q13, Q19 & Q20.

LONG ANSWER QUESTIONS

- Q9, Q13, Q19 & Q20.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 1, Page No. – 4.58 – 4.62
2. ibid 2, Page No. – 643 – 658

ARTICLES

1. Shahwan, Y., Hamza, M., Al-Fasfus, F., Al-Ramahi, N., & Almubaydeen, T. H. (2022). Social responsibility accounting, disclosure and real practice: Evidence from Jordan. Asian Economic and Financial Review, 12(3), 164-182.
2. Shawver, T. J. (Ed.). (2023). Research on professional responsibility and ethics in accounting. Emerald Publishing Limited.

UNIT – IV

LECTURE 33

DECISION MAKING TECHNIQUES – FINANCIAL STATEMENT ANALYSIS

OBJECTIVE

The Purpose of this lecture is to acquaint students with the Financial Statement Analysis for evaluating the financial performance of the business.

CONTENTS

- Analysis of Financial Statements
- Objectives of FSA
- Techniques/Tools of the FSA
    - Comparative Financial Statements
    - Common-Size Financial Statements
    - Trend Percentage Analysis
    - Ratio Analysis

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q1 – Q4

SHORT ANSWER QUESTIONS

- Q1 & Q13.

LONG ANSWER QUESTIONS

- Q7 & Q13.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 6, Page No. – 49 - 56

ARTICLES

1. Welc, J. (2022). Financial statement analysis. In Evaluating Corporate Financial Performance: Tools and Applications (pp. 131-212). Cham: Springer International Publishing.
2. Aviantara, R. (2023). Scoring the financial distress and the financial statement fraud of Garuda Indonesia with «DDCC» as the financial solutions. Journal of Modelling in Management, 18(1), 1-16.

LECTURE 34 - 36

RATIO ANALYSIS

OBJECTIVE

The Ratio Analysis has emerged as the principal technique of the FSA. The aim of these lectures is to provide detailed information about the various ratios used for analysis purpose.

CONTENTS

- Ratio Analysis
- Steps in Ratio Analysis
- Types of Comparison
- Classification of Ratio
    - Liquidity Ratio
    - Activity Ratio
    - Leverage Ratio
    - Profitability Ratio
- DU PONT Analysis
- Evaluation of Ratio Analysis
- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q5 – Q9

SHORT ANSWER QUESTIONS

- Q5 & Q8.

LONG ANSWER QUESTIONS

- Q3, Q18.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 3, Page No. 6.1 – 6.93
2. ibid 6, Page No. – 55 – 104

ARTICLES

1. Jamil, S. R., Wang, L., Tang, C., Khan, H. M. S., & Che, D. (2022). The role and impact of costing method in the decision-making of energy project: A comparative assessment between levelized cost of energy and benefit-to-cost ratio analysis. International Journal of Energy Research, 46(4), 4754-4769.
2. Chakraborty, S., Datta, H. N., Kalita, K., & Chakraborty, S. (2023). A narrative review of multi-objective optimization on the basis of ratio analysis (MOORA) method in decision making. OPSEARCH, 1-44.

LECTURE 37 – 38

MARGINAL COSTING & APPLICATION OF MARGINAL COSTING IN DECISION MAKING

OBJECTIVE

In contrast to the orthodox costing system known as absorption or conventional costing marginal costing considers only variable costs for the purposes of production costing, inventory valuation and other allied important management decisions. The objective of this lecture is to know the concept of Absorption Costing and Marginal Costing and Application of Marginal Costing.

CONTENTS

- Absorption Costing
- Marginal Costing
- Difference Between Absorption Costing and Marginal Costing
- Profit Planning
- Cost - Volume Profit Analysis
- Advantages of Marginal Costing
- Limitations of Marginal Costing
- Application of Marginal Costing Technique
- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q10 – 16, Q26 – 31, Q33 - 34

SHORT ANSWER QUESTIONS

- Q2 – Q4, Q6, Q15, Q17, Q18 & Q20.

LONG ANSWER QUESTIONS

- Q1, Q2, Q8, Q11, Q12 &Q16.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 1, Page No. 4.163 – 4.234

ARTICLES

1. Wang, A., Arbogast, J. E., Bonnier, G., Wilson, Z., & Gounaris, C. E. (2023). Estimating the marginal cost to deliver to individual customers. Optimization and Engineering, 1-39.
2. Jacobs, M., Briley, P. M., Wright, H. H., & Ellis, C. (2023). Marginal assessment of the cost and benefits of aphasia treatment: Evidence from community-based telerehabilitation treatment for aphasia. Journal of Telemedicine and Telecare, 29(4), 271-281.

LECTURE 39

MANAGEMENT ACCOUNTING FOR DECISION MAKING & CONTROL

OBJECTIVE

Management accountants are insiders who create internal analyses to guide the overall business strategy and take decisions. Decision-making refers to choosing a course of action from various alternative courses available. The present lecture purposes to provide the insights about management accounting and decision making.

CONTENTS

- Decision-Making Process
- Assumptions of Decision-making process
- Decision situations
- Cost Analysis
- Types of Decisions
- EVA
- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q17 – 21.

SHORT ANSWER QUESTIONS

- Q12(a), Q14 & Q16.

LONG ANSWER QUESTIONS

- Q3, Q7, Q15 & Q19.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 2, Page No. 495 – 532

LECTURE 40

INTRODUCTION TO ACTIVITY BASED COSTING

OBJECTIVE

Activity Based Costing is a method of cost attribution to cost units on the basis of benefits received from indirect activities. In this lecture Activity Based Costing is explained and its various concepts.

CONTENTS

- Concept of ABC
- Characteristics of ABC
- Elements Involved in ABC
- Steps involved in ABC
- ABC Vs. Traditional Costing
- Optimal Costing System
- Use of Activity Base Information
- Practical Questions

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q22 - 25

SHORT ANSWER QUESTIONS

- Q7, Q12(b)

LONG ANSWER QUESTIONS

- Q4, Q14 & Q20.

SUGGESTED READINGS:

TEXT BOOK

1. ibid 1, Page No. 2.110 – 2.127

ARTICLES

1. Gitlin, L. N., Winter, L., Burke, J., Chernett, N., & Dennis, M. P. (2023). Individualized Activity-Based Interventions for People with Dementia and Informal Caregivers. 50 Studies Every Occupational Therapist Should Know, 16(3), 51.

LECTURE 41 & 42

TARGET COSTING, LIFE CYCLE COSTING & UNIFORM COSTING

OBJECTIVE

The aim of these lectures is to discuss various modern concepts of costing which helps organisations in better Cost Planning and higher profits.

CONTENTS

- Target Costing: Meaning & Features
- Process & Advantages of Target Costing
- Principles of Target Costing
- Cost-Based Costing Vs. Target Based Costing
- Life Cycle Costing: Meaning and Characteristics
- Types of Life Cycle Costing
- Process of Life Cycle Costing
- Uniform Costing: Meaning
- Objectives of Uniform Costing
- Essential requisites for the installation of Uniform Costing System
- Advantages of Uniform Costing
- Limitations of Uniform Costing

ASSIGNMENTS FROM QUESTION BANK

MCQs

- Q31 - 32, Q35 – 40

SHORT ANSWER QUESTIONS

- . Q9, Q10, Q11

LONG ANSWER QUESTIONS

- Q5, Q6, Q9, Q10, Q17.

SUGGESTED READINGS:

E - BOOK

1. https://www.lkouniv.ac.in/site/writereaddata/siteContent/202004261306373464rajni_com_Target_Costing.pdf
2. https://www.lkouniv.ac.in/site/writereaddata/siteContent/202004131501352434rajani_com_Life_cycle_Costing.pdf
3. https://nscpolteksby.ac.id/ebook/files/Ebook/Accounting/Advanced%20Management%20Accounting%20Vol.%20I%20(2011)/10.%20Chapter%209%20-%20Uniform%20Costing%20and%20Inter%20Firm%20Comparison.pdf

ARTICLES

1. Arulnathan, V., Heidari, M. D., Doyon, M., Li, E. P., & Pelletier, N. (2023). Economic Indicators for Life Cycle Sustainability Assessment: Going beyond Life Cycle Costing. Sustainability, 15(1), 13.

LECTURE PLAN

CORPORATE FINANCE

BCOM 204

COURSE OUTLINE
BCOM-IV SEMESTER
CORPORATE FINANCE BCOM 204

L - 4 Credits - 04

OBJECTIVES

The course is aimed at building an understanding of concepts, vital tools and techniques applicable for financial decision making by a business firm.

COURSE OBJECTIVES

After completion of this course students will be able to:

1. Enables students with knowledge and skills relating to finance concepts and models to understand the implications of the firm's activities on its finances.
2. Analyze the role of time value and its use for valuing asset.
3. Appraise different capital budgeting methods and their applications.
4. Examine the working capital needs and financing of the firm.

INTERNAL ASSESSMENT AND ASSIGNMENT	**25 marks**
1. Class Test-II - (Written Test)	15 marks
2. Class Assessment + Attendance	10 marks

A. INTRODUCTION

- Nature, Scope & Objectives of Financial Management;
- Profit Maximization, Wealth Maximization & Value Maximization.
- Time Value of Money including
    - Computation of EMI,
    - Annuity,
    - Annuity Due
- EVA & MVA;
- Functions & Responsibilities of a Finance Manager

(10 Hours)

B. COST OF CAPITAL AND CAPITAL STRUCTURE

- Capital Structure
    - Net Income Approach
    - Net Operating Income Approach

    - Traditional Approach
    - MM Approach
- Cost of Capital
- Leverage Analysis
- Operating Leverage
- Financial Leverage
- Combined leverage
- EBIT-EPS Analysis
- Capital Gearing (10 Hours)

C. CAPITAL BUDGETING

- Conventional and DCF Methods
- Risk Analysis and Capital Budgeting
    - Certainty Equivalent Factor
    - Risk Adjusted Discounting Rate
    - Decision Tree
- Independent and Dependent Risk Analysis
    - Replacement Decisions
    - Sensitivity Analysis (10 Hours)

D. DIVIDEND POLICY;

- Models of Dividend
    - Walter Model
    - Gordon Model
    - MM Approach
    - Lintner Model
- Working Capital Management
    - Concept and Approaches of Working Capital
    - Estimation of working capital
    - Management of Inventories
    - Management of Cash (Various Theoretical Models)
    - Management of Receivables
    - Marketable Securities (12 Hours)

STUDY MATERIAL FOR THE SUBJECT

Following will be the study material for topics of Financial Management and students are advised to go through the material for thorough understanding of the subject.

The students are expected to actively participate in the discussions in the class so that they may be able to gain insights and develop skills for handling inter personal and group processes, in addition to familiarizing themselves with concepts and theories.

- **MAIN TEXT BOOKS**

1. **Author's Name(s):** Van Horne, J., C, Dhamija S.
   Title: Financial Management and Policy
   Edition: 12th and Year: 2011
   Publisher: Pearson Education

   (ibid 1)

2. **Author's Name(s):** Pandey I.M
   Title: Financial Management
   Edition: 11th and Year: 2016
   Publisher: Vikas Publishing House Pvt Ltd.

   (ibid 2)

- **REFERENCE BOOKS**

1. **Author's Name(s)** R.P. Rustagi
   Title: Financial Management- Theory, Concepts and Problems
   Edition: 6th Revised Edition **Year:** 2018
   Publisher: Taxmann Publications (ibid 3)

2. **Author's Name(s):** Prasanna Chandra
   Title: Financial Management- Theory and Practice
   Edition: 10th **Year:** 2019
   Publisher: Tata McGraw Hill (ibid 4)

3. **Author's Name(s):** Maheshwari, S.N.
   Title: Financial Management – Principles & Practice
   Edition: 15th and Enlarged **Year:** 2019
   Publisher: Sultan Chand & Sons (ibid 5)

4. **Author's Name(s) :** Khan, M Y and Jain P.K
   Title: Financial Management- Text, Problems and Cases
   Edition: 8th **Year:** 2018
   Publisher: McGraw Hill Education (ibid 6)

- **JOURNALS:**

1. The Chartered Accountant
2. Finance India
3. Effulgence
4. The Chartered Secretary
5. The IUP Journal of Applied Finance
6. Vikalpa
7 The IUP Journal of Bank Management
8 BVIMR Management Edge
9 Journal of Financial Management

LECTURES 1-2

UNIT-I

NATURE AND SCOPE OF FINANCIAL MANAGEMENT

OBJECTIVE:

Finance is the lifeblood and nerve center of a business. No business, whether big, medium or small can be started without an adequate amount of finance. The finances of the company need apposite management. The lecture aims to make the students understand the concept, scope and importance of Financial Management.

CONTENTS:

- Meaning and Scope of Financial Management
- Objectives of Financial Management
- Agency Problem
- Organization of Finance Function
- Emerging role of Finance managers in the changing scenario
- Methods of Financial Management
- Relationship between Financial Management and other Areas of Management
- Organization of the Finance Function
- Importance of Financial Management
- Financial Forecasting
- Financial management: Science or art

ASSIGNMENTS FROM QUESTION BANK:

1 Unit I, Section II, Q 1-7, 26, 27
2 Unit I, Section III, Q 1-3,14,16, 22 – 25, 27 - 28

OTHER ASSIGNMENTS:

1. ibid 1, Page No. A1.31-A1.34, Q 1-26
2 ibid 2, Page No.1.25 - 1.26, Q1.1-1.16
3 ibid 3, Page No. 21-24, Q 1-28
4 ibid 4, Page No.22, Q1-14

SUGGESTED READINGS:

TEXT BOOKS:

1 ibid 1, Page No. 3-8
2 ibid 2, Page No. 2-15

REFERENCE BOOKS:

1 ibid 3, Page No. 3-21
2 ibid 4, Page No. 3-20
3 ibid 5, Page No. A.1.3-A.1.30

ARTICLE:

1 Mohammed Benlemlih "Corporate Social Responsibility and Firm's financing decisions: A literature review" Journal of Multinational Financial Management, Volumes 41 - 42 (2017), pp. 1-10.

LECTURES 3-5

TIME VALUE OF MONEY

OBJECTIVE:

The concept of interest is one of the central ideas of finance. Individuals and business organizations frequently encounter situations that involve cash receipts and disbursements over several periods of time because of which interest rates become vital to any business organization. Time value of money is integral in making the best use of a financial player's limited funds. The lectures aim to familiarize the students with the concept of time value of money and the various valuation concepts associated with it.

CONTENTS:

- Time value of money
- Rationale
- Techniques
  - Compounding Techniques
  - Discounting Techniques
    - PV of future cash flows
    - PV of perpetuity
    - PV of annuity
    - PV of annuity due
    - PV of growing annuity and perpetuity
- Practical Applications of Compounding and Present Value Techniques
- Computation of EMI
- Annuity
- Annuity Due

ASSIGNMENTS FROM QUESTION BANK:

1 Unit I, Section II, Q 8-10, 28
2 Unit I, Section III, Q 11, 26, 29- 31
3 Unit I, Section IV, Q 1-5, 18 – 20,25, 27

OTHER ASSIGNMENTS:

1 ibid 1, Page No. A2.13-A2.15, Essay Type 1-10, Practical: Q 1-11
2 ibid 2, Page No. 2.31-2.36, Q2.1-2.17
3 ibid 3, Page No. 40-42, Q 2.1-2.9
4 ibid 4, Page No. 163-170, Q 6.1-6.38

SUGGESTED READINGS:

TEXT BOOKS:

1 ibid 1, Page No. 9-38
2 ibid 2, Page No. 17-65

REFERENCE BOOKS:

1 ibid 3, Page No. 25-40
2 ibid 4, Page No.139-161
3 ibid 5, Page No. A.2.1-A.2.12

ARTICLES:

1. Rahman, M. (2018). Time value of money: A case study on its concept and its application in real life problems. International Journal of Research in Finance and Management, 1(1), 18-23.
2. Cotter, T. S. (2022). Time Value of Money. In Engineering Managerial Economic Decision and Risk Analysis (pp. 131-171). Springer, Cham.

LECTURES 5-6

EVA & MVA

OBJECTIVE:

Economic Value Added (EVA) and Market Value Added (MVA) are vital tools in financial analysis that assess a firm's performance from both operational and market perspectives. The objective of this lecture is to introduce students to these concepts, enabling them to evaluate a company's financial performance beyond traditional accounting metrics.

CONTENTS:

- Introduction to EVA and MVA
- Components of EVA
- Uses of EVA
- Advantages and Limitations of EVA
- Benefits of using EVA as a performance measure.
- Limitations and criticisms of EVA.
- Introduction to MVA
- Definition and purpose of Market Value Added.
- Relationship between MVA and a company's stock market performance.
- Interpreting MVA
- Significance of positive and negative MVA.
- Comparing EVA and MVA

ASSIGNMENTS FROM QUESTION BANK:

1 Unit I, Section II, 11
2 Unit I, Section III, Q 4,15,16,17
3 Unit I, Section IV, Q 6-8, 21, 28

OTHER ASSIGNMENTS:

1 ibid 1, Page No. B3.40-B3.48, Essay Type: Q 1-9, Practical: Q1-14
2 ibid 3, Page No. 147-151, Q 4.1-4.4
3 ibid 4, Page No. 97-109, Q4.1-4.8

SUGGESTED READINGS:

TEXTBOOKS:

1. ibid 1, Page No. 727-760
2. ibid 2, Page No. 548-562

REFERENCE BOOKS:

1 ibid 3, Page No.105-123
3. ibid 5, Page No. B.3.1-B.3.21

ARTICLE:

1 Addisu Tesema Tanga, "Fund Flow Analysis: A Case Study of Regency Ceramics Limited In India", Vol. 4, Issue 6, June 2014, pp. 23-37.

LECTURES 7-10

PROFIT, WEALTH AND VALUE MAXIMIZATION

OBJECTIVE:

The objective of this lecture series is to explore the concepts of profit, wealth, and value maximization in corporate finance, while understanding the roles and responsibilities of a Finance Manager in achieving these goals effectively.

CONTENTS:

- Profit Maximization
    - Definition and traditional view of profit.
    - Criticisms and limitations of profit maximization as a sole objective.
- Wealth Maximization
- Value Maximization
- Roles and Responsibilities of a Finance Manager
- Integrating Financial Metrics
- Ethical Considerations and Stakeholder Interests

ASSIGNMENTS FROM QUESTION BANK:

1 Unit I, Section II, Q 11-14
2 Unit I, Section III, Q 5-7,18,19,20
3 Unit I, Section IV, Q 9-10,19,20, 22

OTHER ASSIGNMENTS:

1 ibid 1, Page No. B4.41-B4.49, Essay Type: Q 1-4, Practical: Q1-13
2 ibid 2, Page No. 5.25, Q5.1-5.7
3 ibid 3, Page No. 147-151, Q 4.1-4.4
4 ibid 4, Page No. 97-109, Q4.1-4.8

SUGGESTED READINGS:

TEXT BOOKS:

1. ibid 1, Page No. 727-760
2. ibid 2, Page No. 548-562

REFERENCE BOOKS:

1 ibid 3, Page No. 105-123
2 ibid 4, Page No. 50-57
4. ibid 5, Page No. B.4.1-B.4.49

ARTICLES:

1 Steven F. Orpurt, YoonseokZang, “Do direct cash flow disclosures help predict future operating cash flows and earnings?”, The Accounting Review, Vol. 84, No. 3, 2016, pp. 893 – 935.
2 Ehsan Khansalar, Mohammad Namazi,"Cash flow disaggregation and prediction of cash flow", Journal of Applied Accounting Research, Vol. 18 Issue: 4, 2017, pp. 464-479.
3 Mwila Mulenga & Meena Bhatia “The Review of Literature on the Role of Earnings, Cash Flows and Accruals in Predicting of Future Cash Flows”, Accounting and Finance Research, Vol. 6, No. 2, 2017.
4 Soboleva, Y. P., Matveev, V. V., Ilminskaya, S. A., Efimenko, I. S., Rezvyakova, I. V., & Mazur, L. V. (2018). Monitoring of businesses operations with cash flow analysis. International Journal of Civil Engineering and Technology, 9(11), 2034.

LECTURES 11-14

UNIT 2

CAPITAL STRUCTURE

OBJECTIVE:

For stock investors that favor companies with good fundamentals, a strong balance sheet is an important consideration for investing in a company's stock. A company's reasonable, proportional use of debt and equity to support its assets is a key indicator of balance sheet strength. A healthy capital structure that reflects a low level of debt and a corresponding high level of equity is a very positive sign of financial fitness. Thus, it is imperative for the students to understand the importance of capital structure, capital structure theories and practices. These lectures will help the students to understand the basics of capital structure and the concepts associated with it.

CONTENTS:

- Meaning of Capital Structure
- Capital Structure and Financial Structure
- Patterns of Capital Structure
- Point of Indifference
- Optimum Capital Structure
- Capital Structure Theories
  - Net Income Approach
  - Net Operating Income Approach
  - Modigliani –Miller Approach

- Factors determining Capital Structure
- Capital Structure Practices in India

ASSIGNMENTS FROM QUESTION BANK:

1 Unit II, Section II, Q 1-8 ,15, 31-33
2 Unit II, Section III, Q 1-14, 43, 44, 47, 48, 69-70
3 Unit II, Section IV, Q 1-13, 37,41, 57-59

OTHER ASSIGNMENTS:

1 ibid 1, Page No. D2.49-D2.56 Essay Type Q 1-24, Practical Q1-16
2 ibid 2, Page No. 19.32 – 19.43, Q 19.1- 19.18
2 ibid 3, Page No. 429-432, Q 13.1-13.8
3 ibid 4, Page No. 489 - 491, Q 19.1-19.6

SUGGESTED READINGS:

TEXT BOOKS:

1 ibid 1**,** Page No. 251-275
2 ibid 2, Page No. 342-374

REFERENCE BOOKS:

1 ibid 3, Page No.411-428
2 ibid 4, Page No.465-486
3 ibid 5, Page No. D.2.1-D.256

ARTICLES:

1 Nagesha H G & T P Renuka Murthy, “The Effect of Capital Structure on Profitability (An Empirical Study on Indian Cement Industry in BSE)”, International Journal of Multidisciplinary Research, Vol-2, Issue-II, February 2017, pp 28-38.
2 Aggarwal, D. and Padhan, P.C. (2017) Impact of Capital Structure on Firm Value: Evidence from Indian Hospitality Industry, Theoretical Economics Letters, 2017, 7, pp 982-1000.
3 Yogendrarajah, R (2017). Impact of Capital Structure on Profitability – Evidence from selected Trading Companies in Colombo Stock Exchange, Sri Lanka, International Journal in Management and Social Science. Vol. 03.

4 Alabdullah, T. T. Y., Laadjal, A., Ries, E., & Al-Asadi, Y. A. A. (2018). Board features and capital structure in emerging markets. Journal of Advanced Management Science, 6(2).

LECTURES 15-17

LEVERAGES

OBJECTIVE:

Leverage refers to the use of fixed costs in an attempt to increase the profitability. Leverage affects the level and variability of the firm's after tax earnings and hence, the firm's overall risk and return. The lectures will make the students aware of the effects of financing or debt equity mix on shareholders earnings and risk

CONTENTS:

- Meaning of Leverage
- Types of Leverage
  - Operating Leverage
  - Financial Leverage
- Significance of Operating And Financial Leverage
- Relation between total leverage and total risk of the firm

ASSIGNMENTS FROM QUESTION BANK:

1 Unit II, Section II, Q 7, 34
2 Unit II, Section III, Q 21,33-41, 55,56,73
3 Unit II, Section IV, Q 22-29,32,34,36, 39,42,, 45, 60

OTHER ASSIGNMENTS:

1 ibid 1, Page No. D10.22-D10.26, Essay Type Q 1-8, Practical Type Q1-11
2 ibid 2, Page No. 18.23-18.43, Q18.1-18.13
3 ibid 3, Page No. 384-386, Q 11.1-11.5
4 ibid 4, Page No. 513-520, Q 20.1-20.9

SUGGESTED READINGS:

TEXTBOOKS:

1 ibid 2, Page No. 316-329

REFERENCE BOOKS:

1 ibid 3, Page No.367- 374
2 ibid 4, Page No.499 – 502
3 ibid 5, Page No. D.10.1-D.10.26

ARTICLES:

1 Pascal Nguyen, (2017) "Asset risk and leverage under information asymmetry", The Journal of Risk Finance, Vol. 18 Issue: 3, pp.303-310.
2 Dell'ariccia, G., Laeven, L. and Suarez, G. A. (2017), Bank Leverage and Monetary Policy's Risk-Taking Channel: Evidence from the United States. The Journal of Finance, 72: 613–654.
3 Akhtar, M., Yusheng, K., Haris, M., Ain, Q. U., & Javaid, H. M. (2022). Impact of financial leverage on sustainable growth, market performance, and profitability. Economic Change and Restructuring, 55(2), 737-774.

LECTURES 18-19

COST OF CAPITAL

OBJECTIVE:

The cost of capital is the measurement of the sacrifice made by investors in order to invest with a view to get a fair return in future on his investments as a reward for the postponement of his present needs. On the other hand, from the point of view of the firm using the capital, cost of capital is the price paid to the investor for the use of capital provided by him. Thus, cost of capital is reward for the use of capital. The lectures aim to make the students aware of the concept and importance of cost of capital.

CONTENTS:

- Concept of cost of capital
- Importance of cost of capital
- Classification of cost of capital
- Controversy regarding cost of capital
- Determination of cost of capital
- Computation of Specific Cost
    - Cost of Debt
    - Cost of Preference Shares And

- Cost of Equity
- Cost of Retained Earnings

➢ Weighted Average Cost of Capital

ASSIGNMENTS FROM QUESTION BANK:

1 Unit II, Section II, Q 9-12,14, 19,36
2 Unit II, Section III, Q 15-20, 22, 23, 25-28, 30-32, 42, 45, 46, 49 – 51,60
3 Unit II, Section IV, Q 14-21,31, 33, 35, 38, 40,47,48,52

OTHER ASSIGNMENTS:

1 ibid 1, Page No. D9.34-D9.38, Essay Type Q 1-22, Practical Q1-11
2 ibid 2, No. 11.26-11.46, Q 11.1-11.19
3 ibid 3, Page No. 361-366, Q10.1-10.15
4 ibid 4, Page No. 384-389, Q 14.1-14.12

SUGGESTED READINGS:

TEXT BOOK:

1 ibid 2, Page No. 187-204

REFERENCE BOOKS:

1 ibid 3, Page No. 327-346
2 ibid 4, Page No.366-385
3 ibid 5, Page No. D.9.1-D.9.38

ARTICLES:

1 Pradeep Kumar Singh, "Intangible Assets and market capitalization – A case study of FMCG companies in India", The Chartered Accountant, Vol. 59, No. 11, pp. 78 – 82.
2 M. Waliuddin Wong Yik Fui, S. Shaharuddin, A. Hisham, "Corporate social responsibility disclosure and cost of equity capital in industrial product industry, "Journal of Humanities, Language, Culture and Business (HLCB) Vol. 1: no. 2 (2017) pp.168-180.
3 Purwaka, A. J., Firmansyah, A., Qadri, R. A., Dinarjito, A., & Arfiansyah, Z. (2022). Cost of capital, corporate tax plannings, and corporate social responsibility disclosure. Jurnal Akuntansi, 26(1), 1-22.

LECTURES 20-21

EBIT-EPS ANALYSIS

OBJECTIVE:

These lectures will enable the students to analyse the behaviour of EPS in response to changes in leverage and EBIT.

CONTENTS:

- Introduction to EBIT-EPS Analysis
- Constant EBIT with different financing patterns
- Varying EBIT with different financing patterns
- Financial Break even level
- Indifference point

ASSIGNMENTS FROM QUESTION BANK:

1 Unit II, Section II, Q 5-6, 12,43,55
2 Unit II, Section III, Q 12, 15,29,30
3 Unit II, Section IV, Q 1-5, 30, 36, 37,49,53

OTHER ASSIGNMENTS:

1 ibid 1, Page No. D2.50-D2.56, Essay Type Q 13,14, 19, 21, Practical Q 1-7
2 ibid 2 Page No. 18.21-18.43,Q18.1-18.13
3 ibid 4, Page No. 537 Q1, Page No. 514-521, Q 20.1-20.9
4 ibid 5, Page No. 320-322, Q1-8

TEXT BOOK:

1 ibid 1**,** Page No. 285-293

REFERENCE BOOK:

1 ibid 3, Page No 388-392

ARTICLE:

1 Joseph, C., & Periyasami, N.(2022), A Study On Impact Of Capital Structure On Earnings Per Share Of Cement Companies In India.

LECTURES 22-24

CAPITAL BUDGETING

OBJECTIVE:

Capital expenditures can be very large and have a significant impact on the firm's financial performance. Besides, the investments take time to mature and capital assets are long-term, therefore, if a mistake were done in the capital budgeting process, it will affect the firm for a long period of time. Thus, the study of the planning process used to determine a firm's expenditures on assets whose cash flows are expected to extend beyond one year such as new machinery, equipment, etc. is very crucial. The objective of this lecture is to make the students understand the concept of long term investment decisions, i.e. capital budgeting decision.

CONTENTS:

- Introduction
- Meaning and nature of capital budgeting
- Assumptions
- Importance and difficulties in the decision
- Kinds of capital investment proposals
- Factors affecting capital investment decisions
- Cash flows v Accounting profits
- Estimation of costs and benefits of a proposal
    - Initial cash flows
    - Subsequent cash flows
    - Terminal cash flows
- Computation of capital investment required
- Introduction to techniques of capital budgeting

ASSIGNMENTS FROM QUESTION BANK:

1. Unit IV, Section III, Q 1, 2, 4, 15, 71, 72, 73.
2. Unit IV, Section IV, Q 1-4

OTHER ASSIGNMENTS:

1 ibid 2, Page No. 9.46 – 9.77, Q 9.1 – 9.15
2 ibid 4, Page No.325 - 329, Q 12.1-12.5

SUGGESTED READINGS:

TEXT BOOKS:

1 ibid 1, Page No. 133-143
2 ibid 2, Page No. 156-158

REFERENCE BOOKS:

1 ibid 3, Page No. 183-195
2 ibid 4, Page No. 309 – 325
3 ibid 5, Page No. D 5.1– D. 5.13
4 ibid 6, Page No. 9.3 – 9.46

ARTICLES:

1 Stewart C. Myers; Stuart M. Turnbull, Capital Budgeting and the Capital Asset Pricing Model: Good News and Bad News, The Journal of Finance, Vol. 32, No. 2, 2016, pp. 90-102.
2 Batra Roopali & Verma Satish, "Capital budgeting practices in Indian companies", IIMB Management Review, Vol. 29, Issue 1, March 2017, pp. 29-44.
3 Andor Gyorgy, Mohanty Sunil and Toth Tamas, "Capital budgeting practices: A survey of Central and Eastern European firms", Vol. 23, , pp. 148-72.

LECTURES 29-32

CAPITAL BUDGETING - TECHNIQUES

OBJECTIVE:

The various techniques used for evaluating the capital budgeting decisions will be discussed in these lectures.

CONTENTS:

- Payback period
  - Merits

  - Demerits
  - Suitability
- Accounting Rate of Return
  - Method
  - Demerits
  - Merits
- Net Present Value Method
- Internal rate of return
- Relationship between payback period reciprocal and rate of return
- Comparison between IRR and NPV approach
- Conflict in results under NPV and IRR
- Capital rationing
- Inflation

ASSIGNMENTS FROM QUESTION BANK:

1. Unit III, Section III, Q 3, 5 – 13, 16 – 18,26,27, 28- 30, 74, 75.
2. Unit III, Section IV, Q 5 – 12,16,17, 20,21

OTHER ASSIGNMENTS:

1 ibid 2, Page No. 180-185, Solved Problems - 8.1-8.5 & Unsolved Problems – 1-20
2 ibid 4, Page No. 305 – 308, Q 11.1 – 11.9
3 ibid 5, Page No. D 5.69– D. 5.83, Essay Type Q. 1 – 20, Practical Q1 - 31
4 ibid 6, Page No. 9.46 – 9.78, Q 9.1 – 9.14, Page No. 10.48 – 10.50, Q 10.1- 10.14

SUGGESTED READINGS:

TEXT BOOKS:

1 ibid 1, Page No. 144-154
2 ibid 2, Page No. 159-176

REFERENCE BOOKS:

1 ibid 3, Page No. 203-226
2 ibid 4, Page No. 285-304
4 ibid 5, Page No. D 5.13– D. 5.69
4 ibid 6, Page No. 9.3 – 9.46, 10.1 – 10.47

ARTICLES:

1. Sengupta Sabyasachi, "Resort to Adjusted Present value (outlook of a practitioner)", The Chartered Accountant, Vol. 61, No. 12, June 2013, pp. 135 – 141.
2. Irwanto, R. (2022, January). Why IRR is not the right measure for return analysis and What's then?. In International Conference on Engineering, Construction, Renewable Energy, and Advanced Materials.

LECTURES 33-37

CAPITAL BUDGETING – RISK ANALYSIS

OBJECTIVE:

The importance of risk dimension in capital budgeting cannot be over-stressed. In fact, profitability and risk are closely related. The project which is highly profitable may also have higher risk. The tradeoff between risk and profitability has a bearing on the investor perception of the firm before and after the acceptance of a specific proposal, which makes it even more important to explain the evaluation of capital budgeting decisions under conditions of risk and uncertainty.

CONTENTS:

- Risk analysis in capital budgeting
- Conventional Techniques of risk analysis
    - Payback Period
    - Risk Adjusted Discount Rate (RADR)
    - Certainty Equivalent (CE)
    - Sensitivity Analysis
- Statistical Techniques
    - Expected value of probability distribution
    - Standard deviation
    - Coefficient of variation
    - Simulation analysis
    - Decision tree approach

ASSIGNMENTS FROM QUESTION BANK:

1. Unit III, Section III, Q 14, 19 – 25, 31, 32, 76, 77, 78, 79, 80.
2. Unit III, Section IV, Q 13 – 15, 17

OTHER ASSIGNMENTS:

1. ibid 2, Page No. 292-294, Problems: Q1-8
2. ibid 5, Page No. D6.19 – D6.22, Essay Type Q1 1- 9, Practical Q1 - 8
3. ibid 6, P.12.45 – P.12.48, Q 12.1-12.16
4. ibid 4, Page No. 357 – 363, Q 13.1 – 13.5, Page No.408-410, Q 15.1 – 15.6

SUGGESTED READINGS:

TEXT BOOKS:

1 ibid 1, Page No. 165-188
2 ibid 2, Page No. 270-288

REFERENCE BOOKS:

1 ibid 3, Page No. 281-303, 259- 271
2 ibid 4, Page No. 309 – 325, 393 – 407
3 ibid 5, Page No. D6.1 – D6.18
4 ibid 6, Page No. 12.1 – 12.45

ARTICLES:

1 RH Pike & SSM Ho, "Risk analysis in capital budgeting: Barriers and benefits", Omega – Elsevier, Volume 19, Issue 4, 2016, pp. 235-245, https://doi.org/10.1016/0305-0483(91)90042-R.
2 Adler, Ralph, "Why DCF capital budgeting is bad for business and why business schools should stop teaching it", Accounting Education: an international journal, Volume 15, Issue 1, 2016, pp. 3-10.

LECTURES 38 – 40

UNIT-IV

DIVIDEND DECISION

OBJECTIVE:

The third major decision of a company is the distribution of profits of the company to its stockholders. The objective of this lecture is to make the students understand the distribution techniques, concept of dividend and to learn the various models of dividend decision.

CONTENTS:

- Introduction
  - Meaning
  - Nature and significance of dividend decision
- Dividend policy
  - Meaning
  - Factors affecting dividend policy
    - External Factors
    - Internal Factors
  - Issues in Dividend Policy
  - Stability of Dividend
    - Significance of stability of dividends
  - Forms of Dividend
    - Cash dividend
    - Bond dividend
    - Property dividend
    - Stock dividend
- Models of Dividend Decision
  - Relevance and Irrelevance Concept
  - Relevance Models
    - Walter's Model
    - Gordon's Model
  - Irrelevance Model
    - Modigliani and Miller Hypothesis
  - Lintner Model

ASSIGNMENTS FROM QUESTION BANK:

1. Unit IV, Section III, Q 35 – 37,42, 44 - 48
2. Unit IV, Section IV, Q 14-19, 21,23,24, 26

OTHER ASSIGNMENTS:

1 ibid 1, Page No. 328, Q1-5
2 ibid 2, Page No. 435, Q1-11
3 ibid 3, Page No. 489, Q 1-18
4 ibid 4, Page No. 535-537, Q 21.1-21.3
5 ibid 5, Page No. D11.25 – 11.29, Essay Type Questions Q.1 - 26, Practical Q. 1 - 10
6 ibid 6, Page No. 31.35-31.37, Q 31.1-31.15

SUGGESTED READINGS:

TEXT BOOKS:

1 ibid 1, Page No. 305-323
2 ibid 2, Page No. 418-431 & 439-454

REFERENCE BOOKS:

1 ibid 3, Page 453- 483
2 ibid 4, Page 522-535
3 ibid 5, Page No. D11.1- D11.25
4 ibid 6, Page No. 30.3-30.29

ARTICLES:

1 Mittal Sanjiv, Chopra Monika, Paliwal Pallavi, "Linkages between financial leverage, dividend policy and value of firm: A Comparison between manufacturing and non-manufacturing firms in India", BVIMR Management Edge, Vol. 6, No. 2, July – Dec. 13, pp. 1 – 16.
2 Aggarwal Shalini, "An Analysis Of Trends And Progress In Corporate Dividend Of Selected Cement Industries In India", BVIMR Management Edge, Vol. 6, No. 2, July – Dec. 16, pp.108 – 120.

LECTURES 42-44

WORKING CAPITAL MANAGEMENT

OBJECTIVE:

Working capital management (WCM) refers to the strategies put in place to manage the relationship between the short term assets of a company with its short term liabilities, to make sure that an organization continues with its operations and meet its obligations when they fall due. The objective of these lectures is to cover the basic aspects of current asset management including the concept, need and types of working capital, along with the operating cycle and determinants of working capital.

CONTENTS:

- Concept of working capital
  - Gross Working capital
  - Net Working Capital
- Need for Working Capital
- Types of Working Capital
  - Permanent Working Capital
  - Temporary Working Capital
- Adequacy of working capital
- Management of working capital
- Operating cycle
- Sources of Working Capital
- Approaches for determining the financing mix
  - Hedging Approach
  - Conservative Approach
  - Aggressive Approach
- Determinants of working capital
  - General nature of business
  - Production cycle
  - Business cycle
  - Production policy
  - Credit policy
  - Growth and expansion
  - Profit level
  - Level of taxes
  - Dividend policy
  - Depreciation policy
  - Price level changes
  - Operating efficiency

ASSIGNMENTS FROM QUESTION BANK:

1. Unit IV, Section III, Q 1 -3, 5, 6, 8-10, 17, 18, 20-26, 32, 49, 50

2. Unit IV, Section IV, Q 25

OTHER ASSIGNMENTS:

1 ibid 3, Page No. 529-531, Q 18.1-18.8
2 ibid 4, Page No. 574-579, Q 1-9, Q 23.1-23.3
3 ibid 5, Page No. D. 7.60 – D 7.67, Essay Type Questions Q1-29, Practical Q 1 - 17
4 ibid 6, Page No. 13.23-13.39, Q13.1-13.12

SUGGESTED READINGS:

TEXT BOOKS:

1 ibid 1, Page No. 339-359
2 ibid 2, Page No. 656-668

REFERENCE BOOKS:

1 ibid 3, Page No. 493-519
2 ibid 4, Page No. 563-574
3 ibid 5, Page No. D7.1 – D7.17
4 ibid 6, Page No. 13.3-13.22

ARTICLES:

1 Jakpar S, Tinggi M, Siang TK, Johari A, Myint KT, "Working Capital Management and Profitability: Evidence from Manufacturing Sector in Malaysia", J Business and Financial Affairs, Vol 6, 2017, pp. 255. doi: 10.4172/2167-0234.1000255
2 Zimon, G., & Tarighi, H. (2021). Effects of the COVID-19 global crisis on the working capital management policy: Evidence from Poland. Journal of Risk and Financial Management, 14(4), 169.

LECTURES 45-47

INVENTORY AND CASH MANAGEMENT

OBJECTIVE:

Business analysts report that poor management is the main reason for business failure. Poor cash as well as inventory management are probably the most frequent stumbling blocks for entrepreneurs. The aim of these lectures is to explain the objectives of cash management and techniques for efficient management of inventories.

CONTENTS:

- Meaning of cash
- Motives for holding cash
  - Transaction Motive
  - Precautionary Motive
  - Speculative Motive
  - Compensation Motive
- Objectives of cash management
- Basic Problems in cash management
- Cash Management Models
  - Baumol Model
  - Miller Orr Model
- Management of Inventories
- Kinds of inventories
- Benefits of holding inventories
- Risks and costs associated with inventories
- Techniques of inventory management
  - EOQ
  - ABC Analysis
  - Inventory Turnover Ratios
  - Aging schedule of inventory
  - Just in Time Inventory System

ASSIGNMENTS FROM QUESTION BANK:

1. Unity IV, Section III, Q 4, 11-13, 15, 27, 28, 53, 54
2. Unit IV, Section IV, Q1-7, 22, 27, 29

OTHER ASSIGNMENTS:

1 ibid 3, Page No. 563-566, Q 19.1- 19.6, Page No. 611-612, Q 21.1-21.8
3 ibid 4, Page No. 603-607, Q1-15, Q24.1-24.6, Page No. 648-650, Q 26.1-26.7
4 ibid 6, Page No-14.31-14.44, Q 14.1- 14.15, Page No. 16.24-16.25, Q 16.1-16.11

SUGGESTED READINGS:

TEXT BOOKS:

1 ibid 1, Page No. 361-387
2 ibid 2, Page No. 708-721

REFERENCE BOOKS:

1 ibid 3, Page No. 533-546, 593-602
2 ibid 4, Page No. 582-603,632-644
3 ibid 5, Page No. D7.17 – D7.43
4 ibid 6, Page No. 14.1 – 14.29, 16.1-16.16

ARTICLES:

1 Khan, F. and Siddiqui, D. A. (2019). Impact of Inventory Management on Firm's Efficiency – A Quantitative Research Study on Departmental Stores Operating in Karachi. Social Science and Humanities Journal, 3(4), 964-980
2 Bawa, S, Asamoah, G.E & Kissi, E. (2018). Impact of Inventory Management on Firm Performance: A Case Study of Listed Manufacturing Firms in Ghana. International Journal of Finance and Accounting, 7(4), 83-96.

LECTURES 48-50

RECEIVABLES MANAGEMENT AND MARKETING SECURITIES

OBJECTIVE:

The extension to the firm's customers, known as accounts receivable, is considered an effort to boost sales. It is the duty of the financial officer to guard against over investment in account receivable. These lectures cover the management of these accounts receivable.

CONTENTS:

- Meaning of receivables
- Meaning of receivables management
- Purpose of receivables
- Costs of maintaining receivables
- Benefits of maintaining receivables
- Factors affecting size of receivables
- Credit policy

- Credit standards
- Credit terms
- Overtrading and under trading
- Marketing Securities

ASSIGNMENTS FROM QUESTION BANK:

1. Unit IV, Section III, Q 7, 14, 16, 19, 30, 31, 33 ,41, 51, 52
2. Unit IV, Section IV, Q 8-13, 28

OTHER ASSIGNMENTS:

1 ibid 3, Page No. 590-592, Q 20.1- 20.8
2 ibid 4, Page No. 645-650, Q1-15, Q 26.1- 26.7
3 ibid 6, Page No. 15.28-15.29, Q 15.1-15.9

SUGGESTED READINGS:

TEXT BOOKS:

1 ibid 1, Page No. 361-387
2 ibid 2, Page No. 681-697

REFERENCE BOOKS:

1 ibid 3, Page No. 567-578
2 ibid 4, Page No. 609-644
3 ibid 5, Page No. D7.43 – D7.59
4 ibid 6, Page No.15.1 – 15.16

ARTICLES:

1. N. Venkata Ramana; K. Ramakrishnaiah; P. Chengalrayulu, "Impact of Receivables Management On Working Capital And Profitability: A Study On Select Cement Companies In India", International Journal of Marketing, Financial Services & Management Research, Vol.2, No. 3, March 2013.

2. Mazanec, J. (2022). The Impact of Working Capital Management on Corporate Performance in Small–Medium Enterprises in the Visegrad Group. Mathematics, 10(6), 951.

LECTURE PLAN

MANAGEMENT ACCOUNTING

BBA 207

COURSE OUTLINE
BBA-III SEMESTER
MANAGEMENT ACCOUNTING
BBA 207

COURSE OBJECTIVES:

The course aims at enabling students to understand the basic Management Accounting concepts and their applications in managerial decision making.

LEARNING OUTCOMES:

After completion of this course students will be able to:

- Understand the nature and scope of Management Accounting
- Analyse and interpret the accounting financial statements of a company and its limitations.
- Executing skills to prepare various Budgets.
- Examining the impact of different ratios on the financial performance of a company.
- Compute cash flow analysis and its likely impact on the company.

INTERNAL ASSESSMENT AND ASSIGNMENT — 25 Marks

1. Class Test-I - (Written Test)	15 Marks
2.IndividualAssignments/Presentations/ClassParticipation	10 Marks

EXTERNAL ASSESSMENT — 75 Marks
(University Examination)

COURSE CONTENTS:

UNIT I: Management Accounting : Introduction **(14 Hours)**

- Meaning, Objectives, and Scope of management accounting
- Difference between financial accounting, cost accounting and management accounting
- Comparative financial statements, common size financial statements, trend analysis
- Ratio analysis
- Cash flow Statement

UNIT II: Budgetary Control and Variances **(14 Hours)**

- Concept and types of budgeting and budgetary control
- Meaning, objectives
- Merits, and limitations of budgetary control
- Budget administration
- Functional budgets including cash budget; Fixed and flexible budgets: meaning and preparation

- Zero-based budgeting
- Performance budgeting, the difference between performance & traditional budgeting
- Meaning of Variance and Variance Analysis
- Material, Labour, Overheads, and Sales Variances
- Disposition of Variances
- Control Ratios

UNIT III: Costing and Profit Planning **(14 Hours)**

- Meaning of Variable Costing, Absorption Costing and Marginal Costing
- Uses of Marginal costing
- Cost-Volume-Profit Analysis
- Profit/Volume ratio
- Break-Even Analysis - Algebraic And Graphic Methods
- Angle of Incidence
- Margin of Safety.

UNIT IV: Managerial Decision Making **(14 Hours)**

- Decision making based on Marginal Cost Analysis
- Profitable product mix
- Make or Buy
- Addition or Elimination of a product line
- Sell or process further
- Operate or shut down
- Managerial Decision-making using spreadsheets.

STUDY MATERIAL FOR THE SUBJECT

Following will be the study material for topics of Management Accounting, and students are advised to go through the material for thorough understanding of the subject:

➢ MAIN TEXT BOOK

1. **Author's Name(s):** Dr. S.N. Maheshwari, Dr. Suneel K. Maheshwari, CA Sharad K. Maheshwari (ibid 1)
   Title: Principles of Management Accounting
   Edition: 18th **Year:** 2022
   Publisher: Sultan Chand and Sons

➢ REFERENCE BOOKS

1. **Author's Name(s):** M.Y Khan (ibid 2)
   Title: Management Accounting
   Edition: 8th **Year:** 2021
   Publisher: McGraw Hill Education Private Limited

2. **Author's Name(s):** M.N Arora (ibid 3)
   Title: Management Accounting
   Edition: **Year:** 2019
   Publisher: Himalaya Publishing House

➢ JOURNALS

1. Journal of Management Accounting Research
2. Journal of Accounting and Finance
3. The Chartered Accountant
4. The Management Accountant

➢ E-BOOKS

1. Kurt Heisinger, S. C. (n.d.). *Managerial Accounting.* Saylor. https://www.freebookcentre.net/business-books-download/Managerial-Accounting.html
2. Lanewala Murtaza. *Management Accounting*. Accasupport.com. https://dl.icdst.org/pdfs/files1/fd4846052fb3b1dcc306f40b2f986829.pdf
3. Arora M.N. *Accounting for Management*. Himalaya Publishing House. http://www.himpub.com/documents/Chapter1427.pdf

UNIT-I

LECTURES 1 -4

INTRODUCTION TO ACCOUNTING

OBJECTIVE:

The objective of these lectures is to make student understand about the concept, scope & importance of Management Accounting and how management accounting is different from cost & financial accounting.

CONTENTS

- ➢ Management Accounting: definition
    - Evolution
    - Meaning
- ➢ Nature of Management Accounting
- ➢ Scope of Management Accounting
- ➢ Utility of Management Accounting
- ➢ Limitations of Management Accounting
- ➢ Difference Between Financial Accounting & Management Accounting
- ➢ Difference between Cost Accounting and Management Accounting

TEXT BOOK:

1. ibid 1 Page No. A-1.3 to A-1.9 Page No. A -1.16-1.18

ARTICLE:

1. Kate E. Horton, "Roles and Attitudes in the Management Accounting Profession: An International Study" Management Accounting Quarterly, Spring 2020, vol. 21, no. 3

LECTURES- 5 – 8

OBJECTIVE

To make student understand about the making of Comparative & Common Size financial statements and Trend analysis.

CONTENT

- Financial Analysis: Financial Statements and their Limitations,
- Concepts of Financial Analysis,
- Tools of Financial Analysis:
- Comparative Balance Sheet
- Comparative Income Statement
- Common Size Balance Sheet & Income Statement
- Trend Percentages,

TEXT BOOK:

1 ibid 1 Page No. B-1.3 to B-1.21

VIDEO:

1. https://www.youtube.com/watch?v=tZa9RHXQ6MI

LECTURES - 9 -15

OBJECTIVE

To make the students understand the concept of Ratio analysis and calculation of various ratios

CONTENTS

- Classification of Ratios,
    - Liquidity Ratio
    - Solvency ratio
    - Turnover Ratios,
    - Profitability Ratios,
    - Du-Pont Control Chart
- Utility and Limitations of Ratios

TEXT BOOK:

ibid 1, Page No. B- 2.25 to B 2.105

VIDEO:

1. https://www.youtube.com/watch?v=76gMXQBnbps

LECTURES 16-20

OBJECTIVE

The objective of these lectures is to make students understand about the Cash Flows from operating, investing & operating activities.

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CONTENT

- Cash Flow Statement,
    - Meaning
    - Objective
- Accounting Standard 3 (AS 3: Revised),
    - Cash flow from Operating activities
    - Cash Flow from Investing Activities
    - Cash Flow from Financing Activities
- Construction of Cash Flow Statement.
    - Illustrations

TEXT BOOK:

1 ibid 1, Page No. B -4.151 to B-4.189

VIDEO:
https://www.youtube.com/watch?v=SVkXKo_X06k

UNIT- II

LECTURES – 21 - 23

OBJECTIVE

To make student understand about the budget and budgetary control.

CONTENTS

- Concept and types of budgeting and budgetary control
- Meaning, objectives
- Merits, and limitations of budgetary control
- Forecasts and Budgets
- Budget administration

TEXT BOOK:

1 ibid 1, Page No. C-1.3 to C-1.11

LECTURES 24-30

OBJECTIVE

To make students understand about various functional budgets.

CONTENT

- Functional budgets including cash budget;
- Fixed and flexible budgets: meaning and preparation;
- Master Budget
- Zero-based budgeting;
- Performance budgeting,
- the difference between performance & traditional budgeting

TEXT BOOK:

1 ibid 1 Page No. C-1.12 to C 1.69

VIDEOS:

1. https://www.youtube.com/watch?v=UMs9kdPbiCU

LECTURES 31-40

OBJECTIVE

To make students understand about the setting of standards and the analysis of various variances arises in daily operations.

CONTENT

- Standard Costing
- Meaning of Variance and Variance Analysis
- Material Variances
- Labour Variances
- Overheads Variances,
- Sales Variances,
- Disposition of Variances,
- Control Ratios.

TEXT BOOK:

1 ibid 1 Page No. C- 2.71 to C 2.87, Page No. C-3.91 to C-3.173

VIDEO:

1.https://www.youtube.com/watch?v=sANUq7Jsu_8

UNIT-III

LECTURES 41 - 48

OBJECTIVE

To make students understand about the Marginal Costing , differential costing & key factors which are the limiting factors in a business.

CONTENTS

- Meaning of Variable Costing
- Absorption Costing and Marginal Costing
- Marginal costing and Differential costing
- Cost-Volume-Profit Analysis,
- Profit/Volume ratio,
- Break-Even Analysis - Algebraic
- Graphic Methods
- Key Factor
- Break-Even Chart
- Angle of Incidence
- Margin of Safety.

TEXT BOOK:

1 ibid 1 Page No. C- 4.175 to C-4.242

VIDEOS:

1. https://www.youtube.com/watch?v=i_7dxah6h3w
2. https://www.youtube.com/watch?v=hm71_DK6iek

UNIT-IV

LECTURES 49-56

OBJECTIVE

To make students understand the decision making in an organization in various situations.

CONTENT

- Concept of Decision making
- Steps in decision making
- Determination of sales mix
- Exploring new markets
- Addition or Elimination of a product line
- Make or Buy,
- Sell or process further,
- Shut down or continue
- Managerial Decision-making using spreadsheets.

TEXT BOOK:

1 ibid 1, Page No. C-5.241 to C-5.273

VIDEO:
https://www.youtube.com/watch?v=kqTIgt85qIc

QUESTION BANK

ENTREPRENEURSHIP DEVELOPMENT & STARTUP

MS 207

QUESTION BANK
ENTREPRENEURSHIP DEVELOPMENT & STARTUP -MS 207

MBA -III

UNIT – I

I Test Your Skills:

(a) Multiple Choice Questions:

1. Which of the following is the correct definition of the term 'entrepreneur', as used by the OECD?
   a. Entrepreneurs are those people who start new businesses with the aim of making a profit.
   b. Entrepreneurs are those persons (business owners) who seek to generate value through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.
   c. Entrepreneurs are those persons who seek to create value by starting new businesses with innovative products and services.
   d. Entrepreneurs are those people who seek to create value for local communities, people or customers by starting new ventures which exploit new products, processes or markets.

   Answer (b)

2. What is the definition of the term, 'social enterprise'?
   a. A commercial organization that seeks to combine a profit seeking motive with the provision of social benefits.
   b. A trading organization that is motivated by profit and a societal orientation.
   c. A social enterprise undertakes social marketing and can take a variety of legal forms, including co-operative, a limited company and a community interest company.
   d. A trading organization which serves a social purpose and which can take a variety of legal forms, including co-operative, a limited company and a community interest company.

   Answer (d)

3. Intrapreneurship often takes the form of ...
   a. a semi-autonomous group (e.g. an internal venture team), operating within the overarching structure of the parent organization.
   b. a spinout venture from a university to commercial a new invention.

    c. a subsidiary of a large corporation developing a new product.
    d. a semi-autonomous group operating outside the overarching structure of the parent organization.

Answer (a)

4. The goals motivating entrepreneurial activity can include which of the following options:
    a. To improve the social welfare of people, e.g. in terms of their health.
    b. To improve the wealth of the entrepreneurs.
    c. To maintain influence amongst powerful local figures.
    d. All of the above.

Answer (a)

5. Can entrepreneurship be 'learned'?
    a. Entrepreneurs are born and not made
    b. It's a discipline and like any other discipline it can be learned.
    c. You will never become an entrepreneur simply by reading a book
    d. Practical exercises, study and critical reflection can be a good way to think about entrepreneurship

Answer (d)

6. Which of these statements best describes the context for entrepreneurship?
    a. Entrepreneurship takes place in small businesses.
    b. Entrepreneurship takes place in large businesses.
    c. Entrepreneurship takes place in a wide variety of contexts.
    d. Entrepreneurship does not take place in social enterprises.

Answer (c)

7. Why is the notion of 'vision' important in entrepreneurship?
    a. Without it there is no driving force or sense of direction.
    b. People need a sense of fantasy in order to create ambitious ventures.
    c. Investors prefer to invest in visionaries.
    d. Having a vision helps to create a paradigm shift.

Answer (a)

8. The creation of new firms is important because these new firms contribute to economic development through benefits that include all of the following except:
    a. Product – Process innovation
    b. Increased Tax revenues
    c. Unemployment
    d. Social betterment

Answer (c)

9. Why are small businesses important to a country's economy?
   They give an outlet for entrepreneurs.
   They can provide specialist support to larger companies.
   They can be innovators of new products.
   All the above.
   Answer (d)

10. Fabian Entrepreneurs are characterized by:
    a. Hardworking
    b. Religious and traditional
    c. Shy and Lazy
    d. Ready to take risk
       Answer (c)

11. Drone entrepreneur are those who generally
    a. Earn super profit
    b. Earn normal profit
    c. Earn profit or even losses
    d. Incur losses
       Answer (c)

12. Supply of entrepreneur depends on the
    a. Rate of the profit available
    b. Prevailing social climate
    c. Rate of profit and social climate
    d. None of the above
       Answer (c)

13. Which one of the following theories has the attribute of moderate risk taking as a function of skill, not chance?
    Need for independence
    Need for achievement
    Need for affiliation
    Need for authority
       Answer: (b)

14. Which of the following is presented as evidence of social factors influencing whether someone becomes an owner-manager?

a. Although people believe self-employment runs in families, there is little evidence to support this view.
b. There seems to be little relationship between self-employment and age.
c. Self-employment is more common among some ethnic groups.
d. Self-employment is more common among single people than among the married.
Answer (c)

15. Which of the following is not one of the environmental factors that may influence the potential of a small business?
a. Close contacts with customers related to problem solving activities
b. Clusters of technically advanced small firms
c. An industry with economies of scale
d. Banks recognizing the needs of small firms
Answer (c)

16. EDP meant for developing
a. Professional skill
b. Entrepreneurial motive
c. Personal qualities
d. Entrepreneurial monitoring
Answer (b)

17. EDP is required to help
a. Existing entrepreneur
b. First generation entrepreneur
c. Future Entrepreneur
d. None of the above
Answer (b)

18. Following is not involved in EDP
a. Identification of entrepreneurs for training
b. Selection of entrepreneurs for training
c. Developing entrepreneurial capabilities
d. Arranging infrastructural facilities
Answer (d)

19. All but which of the following is considered to be a myth associated with entrepreneurship?
a. Successful entrepreneurs are born not made
b. First ventures are always successful
c. All entrepreneurs must willingly invest significant sums of money

d. Successful entrepreneurs must have a break-through invention
e. An entrepreneur faces extraordinary business risks
Answer (a)

20. An_is best described by stating it is any business that is independently owned and operated and is not dominate in its market.
    a. strategic alliance
    b. corporation
    c. entrepreneurship
    d. proprietorship
    Answer (a)

21. For small business owners, one of the most important objectives is____________.
    a. market presence
    b. growth
    c. profitability
    d. adaptability
    e. innovation
    Answer (c)

22. Which of the following is not considered a common characteristic of an entrepreneur?
    a. Internal locus of control
    b. High need for achievement
    c. Self-confidence
    d. Willingness to take risks
    Answer (d)

23. Bobby believes that what takes place within his new company is mostly the result of fate or factors that are outside of his control. It could be stated that Bobby possesses a/an
    a. innovative spirit
    b. intrapreneurship
    c. internal locus of control
    d. external locus of control
    Answer (d)

24. The entrepreneur who is committed to the entrepreneurial effort because it makes good business sense is classed as a/an__________.
    a. inventor
    b. opportunist
    c. hacker

d. craftsman
e. craftsperson
Answer (b)

25. Melissa is one of the newest and most successful entrepreneurs in the technology industry. She handles numerous dealings with other companies for the exchange of goods and services. Her primary goal is to ensure that all parties involved receive favorable and acceptable terms. Melissa is most probably excellent at the entrepreneurial skill of

a. negotiating
b. networking
c. leadership
d. analysis
e. alliance building
Answer (e)

26. The steps involved in an entrepreneurial endeavor include all but which one of the following?
a. Business plan formulation
b. Obtaining financing
c. Selecting the type of legal structure
d. Hiring a partner
e. Adapting to growth
Answer (c)

27. Which of the following shows the process of creating something new?
a. Business model
b. Modeling
c. Innovation
d. Creative flexibility
Answer (c)

28. EDP is required to help
a. Existing entrepreneur
b. First generation entrepreneur
c. Future Entrepreneur
d. None of the above
Answer: B

29. In which of the following domain; individuals take decision to help others for achieving their dreams?

a. Traditional managers
b. Entrepreneurs
c. Intrapreneurs
d. Administrative managers
Answer (c)

30. An entrepreneur is a person who is a:
a. Risk taker
b. Initiator
c. Actor
d. All of the given options
Answer (d)

31. Which one of the following is NOT an intrapreneurial leadership characteristic?
a. Understands environment
b. Encourage the team work
c. Not flexible
d. Persistent
Answer (c)

32. All but which of the following is considered to be a myth associated with entrepreneurship?
a. Successful entrepreneurs are born not made
b. First ventures are always successful
c. All entrepreneurs must willingly invest significant sums of money
d. Successful entrepreneurs must have a break-through invention
e. An entrepreneur faces extraordinary business risks
Answer (b)

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c. Self-confidence
d. External locus of control
Answer (d)

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b. intrapreneurship
c. internal locus of control
d. high need for achievement

e. external locus of control

Answer (e)

35. The entrepreneur who is committed to the entrepreneurial effort because it makes good business sense is classed as a/an_________.
    a. inventor
    b. opportunist
    c. hacker
    d. craftsman
    e. craftsperson

    Answer (a)

36. As the venture becomes established and starts growing, which of the following types of experience becomes increasingly important?
    a. Technical
    b. Financing
    c. Managerial
    d. Marketing

    Answer (b)

37. Intrapreneurship is best described as:
    a. the hiring of former Entrepreneurs.
    b. Entrepreneurial action within an organization.
    c. The process of buying acquiring entrepreneurial firms.
    d. The process of hiring consultants to teach a firm how to be more creative.

    Answer (d)

38. ________ includes initiative and risk taking, as well as competitive aggressiveness and boldness.
    a. New business venturing
    b. Self-renewal
    c. Innovativeness
    d. Proactive Behavior

    Answer (b)

39. In regard to the differences between the entrepreneurial and administrative focuses which of the following is correct?
    a. Entrepreneurs focus on slow steady growth and managers' focus on rapid growth
    b. Entrepreneurs rent or sporadically use resources; managers like to own resources
    c. Entrepreneurs are driven by controlled resources; managers by opportunity
    d. Entrepreneurs tend to use a hierarchical management structure; managers use a more

fluid, flat approach
Answer (c)

40. All these are characteristics of an entrepreneurial environment except:
    a. there are short term horizons.
    b. new ideas are encouraged.
    c. the organization operates on frontiers of technology.
    d. it uses a multidiscipline teamwork approach.
    Answer (a)

II Short Answer Type Questions:

1 Differentiate an entrepreneur from an intrapreneur.
2 Explain the traits of entrepreneur.
3 Discuss the type of entrepreneurs with suitable examples.
4 Define entrepreneurship and explain its main characteristics.
5 Give a brief profile of women entrepreneurs and discuss the main problems faced by them.
6 Explain the factors that determine the growth of entrepreneurship.
7 Discuss the environmental factors which influence entrepreneurship.
8 What do you understand by entrepreneurial motivation? Discuss in detail.
9 Explain the factors which motivate the development of entrepreneurs.
10 What is an achievement motivation force that causes entrepreneurial growth in a country?
11 Explain the factors which motivate people to become entrepreneurs.
12 Differentiate Entrepreneur, Entrepreneurship and Enterprise.
13 Discuss internal & external factors of entrepreneurial motivation.
14 Explain "Non economic factors are equally important as economic factors in deciding entrepreneurial growth".
15 EDPs (Entrepreneurship Development Program) can change the course of small development projects. Elaborate.
16 List the Economic factors affecting entrepreneurial growth.
17 "EDP is a process of entrepreneurial grooming." Comment.
18 How entrepreneurs lead to the economic development of a country?
19 What are Entrepreneurial competencies needed to become an entrepreneur?
20 Explain the motivation process for entrepreneurship development.

III Long Answer Type Questions:

1 "Innovation is the hallmark of entrepreneurship". Explain.
2 "Entrepreneur is the catalyst in the process of economic development". In the light of this statement, explain the role of entrepreneurship in the economic development.

3 Account for the major problems faced by women entrepreneurs in India. State the various schemes introduced by the government for the development of women entrepreneurs. "Entrepreneurial performance is a function of socio-cultural background of entrepreneur, his motivation, ability and environment" discuss.

4 Comment on the statement that creativity is a pre requisite to innovation and explain the creative process.

5 "Self-employment is the best method of solving the problem of growing unemployment in India". Do you agree? Suggest a suitable strategy for the identification and development of entrepreneurs.

6 "Entrepreneurial behaviour is the result of an interaction of several internal and external factors". Explain.

7 "The initiative and intentions of an individual are diverted by his ambitions". In the light of this statement, describe the ambitions which inspire people to take up enterprise.

8 How entrepreneurship helps in the Economic development of a country? What factors have led to Entrepreneurial growth in our country? Give examples of few successful entrepreneurs you have come across and list their important characteristics you have noted?

9 Do you agree with the view that entrepreneurs are born and not made? Evaluate the relevance of entrepreneurial development programme in this context? What all is included in such EDP's initiated in our country at the state and central governments levels?

10 In view of the Entrepreneurial Competencies required of an entrepreneur, discuss the various types of entrepreneurs with examples and reference to live case studies.

11 An entrepreneur has to carry out a combination of functions. In this light, discuss various functions to be performed by an entrepreneur.

12 Explain in detail why people become entrepreneurs.

13 Discuss social and economic environment factors affecting economic growth.

14 What economic and non-economic factors have led to entrepreneurial growth in India and the world?

15 What is the role of EDP programmes in entrepreneurship development? What are the activities/stages of EDP program?

16 What are EDP Programmes? How are they conducted? What activities are involved in various stages of planning for EDP training? Discuss these activities with examples

17 "Developing countries need imitative entrepreneurs rather than innovative entrepreneurs" Do you agree? Enumerate the characteristics of creative people and discuss what makes an entrepreneur creative.

18 Explain the role of entrepreneurship in the economic development of a country.

19 Explain how intrapreneurship develops in organizations with different cultural backgrounds.

20 Discuss the conflicting viewpoints on corporate entrepreneurship.

UNIT - II

I Test Your Skills:

(a) Multiple Choice Questions:

1. Which of the following is a disadvantage of the 'drafting a traditional business plan' approach?
   a. They do not reflect the way in which people shape their entrepreneurial visions.
   b. It can be difficult to explain your vision to other people.
   c. This approach lacks rigour.
   d. The process involved can help an entrepreneur to improve their own understanding of the business concept.
      i. Answer: (a).

2. Which of the following are 'drivers' underlying the opportunity business model?
   a. Societal, commercial, legal, technological, people
   b. Societal, commercial, legal, technological
   c. Societal, ethical, commercial, legal, technological
   d. Societal, commercial, legal, technological, environmental.
   Answer: (b).

3. What are the main sources of entrepreneurial opportunity?
   a. Personal - entrepreneurs experience or perceive something that others do not.
   b. Secondary research - from industry analyses.
   c. Primary research - from speaking to potential customers to determine their needs.
   d. Observation - of other peoples' experiences with products and services.
   Answer: (a).

4. Social innovation refers to:
   a. the introduction of new social practices, activities or ways of organizing.
   b. the introduction of novelties; the alteration of what is established by the introduction of new elements or forms.
   c. new designs, processes, marketing approaches, or a new way of conducting training.
   d. the means by which entrepreneurs exploit change as an opportunity for a different business or service.

   Answer: (a)

5. During feasibility analysis it is necessary to examine several alternative solutions because:
   a comparison of alternatives will lead to a cost-effective solution

a pre-conceived single solution may turn out to be unimplementable
it is always good to examine alternatives
management normally looks at alternatives

a. i and iii
b. i and iv
c. i and ii
d. ii and iv
   a. Answer: (c)

6. By technical feasibility of a solution, we mean that
   a. technology is available to implement it
   b. persons are available to implement it
   c. persons have technical ability to implement it
   d. funds are available to implement it

      i. Answer: (a).

7. In the creativity and innovation matrix, what is a 'medium level of creativity' and a 'medium level of innovation' referred to as?
   a. Winner
   b. Loser
   c. Mediocre
   d. Average
   Answer: (d).

8. The following example of networking represents which type of activity: In an entrepreneurial setting, you might be: renewing contact with a old school friend, now working in a finance house, to provide advice or support for the venture; converting an informal contact made while on holiday into a potential client; or building a much closer relationship with a supplier, which may lead to a formal alliance or merger.
   a. Creating new ties
   b. Renewing and pruning existing ties
   c. Developing existing ties
   d. Extending existing ties
   Answer: (a)

9. ____between people in the personal contact network play an important communications role, enabling the entrepreneur to identify opportunities that are not evident to others.
   a. Good relations

b. Weak ties
c. Strong ties
d. Unique connections

Answer: (c).

10. Which one of the following is the next stage to the Concept Stage of Product Planning and Development Process?
    a. Idea Generation
    b. Product Planning Stage
    c. Product Development Stage
    d. Test Marketing Stage

    Answer (c)

11. Business opportunity relates with
    a. Business possibilities
    b. Commercially feasible projects
    c. Risky projects
    d. Favourable market demand

    Answer: (b).

12. Early growth stage fails to consider following symptoms.
    a. Very slow
    b. Perceived comfort zone
    c. Very rapid
    d. Rapid

    Answer:(d)

13. Very Good sources of information for an entrepreneur about competitors can be obtained
    a. from__________.
    b. Websites.
    c. Product information leaflets.
    d. Company reports and published accounts.
    e. All the above.

    Answer: (d)

14. Enterprise positioning is meant for
    a. Short-term arrangement
    b. Continuous process
    c. Long-term process
    d. None of the above

    Answer: (c).

15. Techno-economic analysis deals with identification of the
    a. Supply potential
    b. Demand potential
    c. Export potential
    d. Import potential
    Answer: (b).

16. Which of the following is NOT one of the definitions of 'business models' as identified in the text?
    a. The system of components, linkages and associated dynamics, which that make commercial advantage of the Internet.
    b. A business model describes the rationale of how an organization creates, delivers and captures value.
    c. Business models identify where the resources necessary to establish a venture will come from.
    d. Business models describe, as a system, how the pieces fit together.
    Answer: (c).

17. Which of the following statements is true?
    a. The entrepreneurial process starts with creativity and the task of generating new ideas.
    b. The creativity process starts with innovation and the task of generating new ideas.
    c. The idea generation process starts with creativity and the task of innovation.
    d. The innovation process starts with creativity and the task of generating new ideas.
    Answer: (d).

18. __________ can be defined as a specifically evolved work plan to achieve a specific objective within a specific period of time.
    a. Idea Generation
    b. Opportunity Scanning
    c. Project
    d. Strategy
    Answer: (c).

19. Product development process involves
    a. One stage
    b. Two stages
    c. Three stages
    d. Four stages
    Answer: (d).

20. Incubation stage deals with
    a. Sample development
    b. Idea development
    c. Prototype Development
    d. None of the above
    Answer: (c).

21. Product design defines
    a. Micro activities of the project
    b. Macro activities of the project
    c. Allied activities of the project
    d. Individual activities of the project
    Answer: (a).

22. Feasibility study is defined as
    a. Formal investigation of profitable opportunity
    b. Informal investigation of profitable opportunities
    c. Intensive investigation of profitable opportunities
    d. None of the above
    Answer: (a).

23. Project selection is
    a. Product idea is used as a basis for project idea
    b. Project idea is used as a basis for product idea
    c. Both are the same
    d. None of the above
    Answer: (a).

24. General criteria are concerned with
    a. Entrepreneur's own interests
    b. Economic development of the country
    c. Business environment of the country
    d. None of the above

    Answer: (a).

25. Management tactics purported to maximize innovation for an entrepreneurship include all but which of the following items?
    a. Cutting of losses
    b. Culture

c. Benchmarking
d. Customer orientation
e. Capabilities
Answer: (e)

26. ____ is best described as doing something differently and has been described as discontinuous or complementary change.
   a. Entrepreneurship
   b. Innovation
   c. Spin-off
   d. Variance
   e. Enterprise
   Answer: (b).

27. The ideas for new businesses that are obtained by entrepreneurs are derived from many
   a. sources. These various sources include all but___.
   b. replication of an existing business
   c. trade journals
   d. trade shows
   e. family members
   f. children
   Answer: (a).

28. The steps involved in an entrepreneurial endeavor include all but which one of the following?
   a. Business plan formulation
   b. Obtaining financing
   c. Selecting the type of legal structure
   d. Hiring a partner
   e. Adapting to growth
   Answer: (d).

29. Common reasons for entrepreneurial failure include all but which one of the following?
   a. Poor implementation
   b. Lack of capital
   c. Adequate financial support
   d. Faulty product design
   e. Ineffective human resources
   Answer: (c).

30. A/An_____________is defined as the blueprint describing the business strategy for entering the marketplace and explains the business to potential investors.

a. business alliance
b. spin-off
c. intrapreneurship
d. competitor analysis
e. business plan
Answer: (e)

31. Of the following, which one is not considered a key component of a business plan?
a. Sources of funding
b. Market trend analysis
c. Methods for dissolution of the organization
d. Description of products or services
e. Expansion plans
Answer: (c).

32. _______ is not included in the business planning presentation types.
a. Mission
b. Elevator pitch
c. Executive summary
d. Annual objectives
Answer: (d)

33. An opportunity assessment plan:
a. is the same thing as a business plan.
b. is longer than a business plan.
c. has a lot of computer-based spreadsheets.
d. focuses on the opportunity, not the venture.
Answer: (d).

34. All of the following are questioning an opportunity assessment plan might answer except:
a. How much capital do I need?
b. What market need does it fill?
c. What business skills do I have?
d. Can a patent be obtained?
Answer: (a).

35. Which of the following statements is (are) true?
a. The business plan describes both internal and external elements.
b. The preliminary business plan should be prepared by a lawyer.
c. Most business plan resources on the Internet are too complex and expensive to be of use to the new venture.

d. Once made, a business plan should not be changed.
Answer: (a).

36. The depth and detail of a business plan depend on:
    a. The target audience.
    b. The size and scope of the new venture.
    c. The experience of the entrepreneur.
    d. The amount of capital needed.
    Answer: (b).

37. When evaluating business plans____________are primarily concerned with the general guidelines of credit.
    a. investors
    b. employees
    c. vendors
    d. lenders
    Answer: (d).

38. ___identifies potential hazards and alternative strategies to meet business plan goals and objectives.
    a. Assessment of risk
    b. Financial planning
    c. Alternative planning analysis
    d. The financial plan
    Answer: (a).

39. All of the following are questions that should be considered in the environmental and industry analysis section of the business plan except:
    a. what are total industry sales over the past five years?
    b. Who are the nearest competitors?
    c. What is my promotional strategy?
    d. What is anticipated growth in this industry?
    Answer: (c).

40. The most important parts of a feasibility report are
    i. (i)cost-benefit analysis
    ii. (ii)statement of the objective of the proposed system
    iii. (iii)who will supply equipment for implementing the system
    iv. (iv)organizational changes needed to successfully implement the

a. i and ii

b. i , ii and iii
c. i and iv
d. i, ii and iv

Answer: (d)

II Short Answer Type Questions:

1 Explain the startup process of a small-scale enterprise.
2 What do you understand by small business project identification? Explain the internal and external constraints in the project identification.
3 Discuss the sources of ideas for new products.
4 What is product selection? Illustrate how is a product selected.
5 What is meant by small business project formulation?
6 How will you judge the feasibility of a new project? Explain with the help of illustrations.
7 What is break even analysis? Illustrate and explain the process of breakeven analysis for a new product.
8 Describe the “table techniques of observing markets and prospective consumers in a developing country like India.
9 Explain “Imagination and visualization play an important part in Entrepreneurial opportunity search and identification.”
10 Explain various sources from where business ideas originate.
11 What are pre-feasibility study report? What is included in feasibility study?
12 What is business plan? What does the reader expect to learn from Business Plan?
13 How creativity and innovation can lead to ideas about new product development and entrepreneurial opportunities?
14 What are good sources of business ideas?
15 What are the differences are between a business plan and an opportunity assessment plan.
16 What steps can a young company take to encourage and protect new ideas?
17 Explain the factors influencing identification of business opportunities.
18 What are the various steps involved in processing of idea for selecting best idea in respect of entrepreneurship?
19 As a new entrepreneur explain how would you identify a business opportunity and go about to exploit it.
20 What is Porter’s five forces to analyze Industry Attractiveness to decide about starting an enterprise

III Long Answer Type Questions:

1 You want to set up a small-scale industry. Which industry would you like to select and where it should be located? Explain with the help of suitable example.

2 “Project evaluation is a comprehensive task”. Discuss.

3 Explain the sources of information in detail and how they help in idea generation for starting up a small-scale enterprise.

4 What is business opportunity? Examine the process of identifying the business opportunities? What are the sources of information for the same? Discuss.

5 (a) What is feasibility? Discuss the different types of feasibility studies.

(b) What are the contents of feasibility report?

6 Elaborate on product selection criteria. How important is the process of conducting feasibility studies?

7 Explain various steps in setting up an enterprise and problems encountered by an entrepreneur.

8 What are the various aspects involved in the processing of ideas for selecting best idea?

9 What are the various sources of getting new ideas? How do you select the new ideas? Explain.

10 What are the project ideas/business opportunities? What are sources of information for them? What criteria are used to scan these opportunities to select few of them?

11 Explain the purpose and content of the executive summary of the business plan.

12 A). What kind of information about the competitors needs to be put in a business plan?

B) Will it not be much more impressive to talk about the entire market than to restrict your focus on few target segments for a start-up?

13 Explain how you will evaluate a business idea.

14 List various types of information that they may be needed for writing a business plan. Explain through example.

15 What are the various steps in writing a business plan?

16 Given the difficulties in accurately predicting the future, is a business plan useful?

17 What makes an excellent business plan?

18 Discuss the real-life example of “OLA”. Its inception and origin.

19 Explain the purpose of conducting Techno-economic study before launching a project.

20 “Feasibility studies are an excellent tool for ensuring the success of a new project”. Discuss.

UNIT – III

I Test Your Skills:

Multiple Choice Questions:

1. A _______________ is a professional money manager who makes risk investment from a pool of equity capital to obtain a high rate of return on investments.

(a) venture capitalist
(b) entrepreneur
(c) businessman
(d) buyer
Answer: (a)

2. EDII was developed by the
   (a) Government of India
   (b) State Government
   (c) All India Financial Institutions
   (d) Public sector banks
   Answer (c)

3. NIESBUD was established in
   (a) 1980
   (b) 1983
   (c) 1986
   (d) 1989
   Answer (b)

4. What are the two key issues that arise when you create an effective entrepreneurial team from scratch?
   (a) Team mentality and team synergy
   (b) Team numbers and team quality
   (c) Team composition and team roles
   (d) Team experience and team experience
   Answer (c)

5. Establishing a shared vision amongst team members refers to:
   (a) Members of the team starting out with an essentially similar set of ideas about what they want to create.
   (b) Members of the team sharing moral principles and standards of behaviour.
   (c) Members of the team sharing the factors driving them to take part in the venture.
   (d) Members of the team sharing profits in an equitable manner.
   Answer (c)

6. New small business owners have which of the following two common motivations?
   (a) Be their own bosses, greater reward potential
   (b) Achieve dependence, less reward potential
   (c) Achieves dependence, become a stakeholder
   (d) Be their own bosses, lower reward potential
   Answer: (a)

7. Tiny sector was launched by
(a) IPR-1948
(b) IPR- 1980
(c) IPR- 1985
(d) IPR- 1990
Answer: (c)

8. Nayak Committee was concerned with:
(a) Reservation of items
(b) Subsidy and incentives
(c) Investment ceiling
(d) Institutional credit
Answer: (d)

9. Which Committee has given focus on cluster system;
(a) Kapoor committee
(b) Nayak committee
(c) Goswami committee
(d) Abid Hussain Committee
Answer: (d)

10. Kapoor Committee was constituted to assess:
(a) Reservation of items
(b) Investment ceiling
(c) Credit delivery system
(d) Government support system
Answer: (d)

11. ______ is relatively less a concern in a business plan of family and friend investors.
(a) Amounts and schedules for returns
(b) Funds use
(c) Competitive advantage
(d) Stability of firm
Answer: (c)

12. All of these are business plan concerns of bankers EXCEPT
(a) Monitoring compliance.
(b) Asset/collateral base.
(c) Cash flow and cash cycle.
(d) Long-term prospects.
Answer: (a)

13. The firm's goals and competitive advantages can be described by
(a) Mission statement.
(b) Vision statement.

(c) Executive summary.
(d) Elevator pitch.
Answer: (a)

14. Entrepreneurships require financial backing in order to get started in the business world. Which of the following is not one of the methods commonly utilized to obtain the financial resources needed?
(a) Equity
(b) Commercial loans
(c) Personal finances provided by friends
(d) Venture capitalists
Answer: (c)

15. _________ financing is raising money by selling part of the ownership of the business to investors.
(a) Debt
(b) Equity
(c) Venture capitalist
(d) Public offering
Answer: (b)

16. To provide financial assistance to entrepreneurs the government has set up a number of___________.
(a) financial advisors.
(b) financial intermediaries.
(c) Industrial estates.
(d) financial institutions.
Answer: (b)

17. State Industrial corporations engage in the development of__________.
(a) industrial estates.
(b) institutional estates.
(c) individual investors.
(d) agricultural entrepreneurs
Answer: (a)

18. ______ is a statement that is not expected in the business plan.
(a) Balance sheet
(b) Income statement
(c) SEC filing statement
(d) Cash flow statement
Answer: (c)

19. The functions of SFCs include
(a) Grant of loans and advances to or subscribe to debentures of industrial concerns

repayable within a period not exceeding 20 years, with option of conversion into shares or stock of industrial concern.

(b) Guaranteeing loans raised by industrial concerns which are repayable within a period not exceeding 20 years.

(c) Both (a) and (b)

(d) None of these

Answer: (c)

20. NIESBUD was established in

1980

1983

1986

1989

Answer: A

21. All of these are special purpose plans EXCEPT which of these?
(a) Business plan
(b) Screening plan
(c) Invention plan
(d) Informational plan
Answer: (a)

22. ______ provides information on the company and critical risks to prospective business partners.
(a) Partner plan
(b) Invention plan
(c) Operational plan
(d) Concept plan
Answer: (a)

23. The _____ budget is used to project cash flows for the cost of goods produced.

(a) operating

(b) production

(c) capital

(d) depreciation

Answer: (a)

24. Which of the following is generally NOT one of the classifications of entrepreneurs presented in our text?
(a) Franchise entrepreneur
(b) Classic entrepreneur
(c) Multi-Entrepreneur
(d) Intrapreneur
Answer: (a)

25. The primary reason entrepreneurs start companies is to:
(a) prove they could do it
(b) recover from a layoff
(c) create something new
(d) make money
Answer: (c)

26. Valuation techniques generally fall into any of the following categories EXCEPT:
(a) Asset valuations
(b) Earnings valuations
(c) Cash flow valuation
(d) Depreciation valuation
Answer: (b)

27. The three primary reasons startups need funding are ________.
A) cash flow challenges, capital investments, and lengthy product development cycles
B) business research, cash flow challenges, and costs associated with building a brand
C) bonuses for members of the new venture team, attorney fees, and lengthy product development cycles
D) attorney fees, capital investments, and marketing research
E) bonuses for members of the new venture team, marketing research, and personnel costs

28. Which of the following might be termed a disadvantage faced by the small business?
(a) Greater flexibility
(b) Greater ability to serve specialized markets
(c) Extreme personal commitment of the owner
(d) More personal service
Answer: (b)

29. The financial assistance to small business provided by the any Financial Institution takes the form of:
(a) direct loans
(b) guidance in locating lenders
(c) loan guarantees
(d) assistance in filling out paperwork
Answer: (d)

30. Many entrepreneurs go about the task of raising capital haphazardly because they ________.
A) are uncomfortable talking about money and they haven't written a business plan
B) lack experience in this area and because they don't know much about their choices
C) are focused on the nuts and bolts of starting their business
D) haven't completed a feasibility analysis or business plan
E) are intimidated by the process and they are unsure of how much money they need
Answer: B

31. When buying an existing business, to cover the possibility that existing customers might go with the old owners if they decide to open a similar business, a purchasing buyer might include in the contract:
(a) a waiver of protection
(b) a penalty fees
(c) a noncompete clause
(d) a structural fine
Answer: (c)

32. Which of the following is not a main element of the project management process?
(a)Estimation.
(b) Schedule.
(c) Monitor.
(d) Systems design.
Answer: (d)

33. Which of the following is not a main project objective?
(a) Time.
(b) Structure.
(c) Quality.
(d) Cost.
Answer: (b)

34. __________ financing is raising money by selling part of the ownership of the business to investors.
(a) Debt
(b) Equity
(c) Venture capitalist
(d) Public offering
Answer: (d)

35. Which of the following is not a reason to reduce project completion time?
(a) Release resources for other projects.
(b) Avoid penalties for late completion.
(c) Eliminate project critical path.
(d) Reduce new product development time to market.
Answer: (c)

36. Equity investors often place more emphasis on the entrepreneur's than lenders do.
(a)character
(b)experience
(c)financial records
(d) personal viewpoint
Answer: (a).

37. Which of the following documents is not usually included in the Financial Plan?
(a) Statement of cash flows
(b) Income statement
(c)Price lists from suppliers
(d) Projected balance sheet
Answer: (c).

38. Entrepreneurships require financial backing in order to get started in the business world. Which of the following is not one of the methods commonly utilized to obtain the financial Resources needed?
(a) Equity
(b)Commercial loans
(c) Personal finances provided by friends
(d)Venture capitalists
(e) Public offerings
Answer: (e)

39. In startup firms, inventory must be purchased, employees must be trained and paid, and advertising must be paid for before cash is generated from sales. Which of the following reasons that motivate firms to seek funding or financing is illustrated in this example?
A) Cash flow challenges
B) Marketing costs
C) Personnel costs
D) Capital investments
E) Lengthy product development cycles
Answer: A

40. The fact that companies often falter because the people who start the firms can't adjust quickly enough to their new roles and because the firm lacks a "track record" with outside buyers and sellers, is referred to as the ________.
A) liability of preparedness
B) liability of newness
C) burden of novelty
D) burden of freshness
E) millstone of innovation
Answer: B

II Short Answer Type Questions:

1 Explain the main institutions engaged in the training and development of entrepreneurs in India.
2 Discuss the role of government in promoting entrepreneurship in India
3 Discuss Financial Feasibility aspect of Business Plan
4 Discuss HR and Operations Feasibility aspect of Business Plan
5 What is procedure of registration of Startups?
6 What are various benefits provided to Startups after registration?

7 What is Boot strapping?
8 What is pre-seed and seed round?
9 What is A, B, C rounds of funding?
10 List check points for building new venture team
11 Write a note on various Incentive schemes available to MSME in India by Ministry of MSME.
12 Who are the primary participants in a start-up's new-venture team?
13 How to obtain NOC from Pollution Board?
14 Explain the various problems faced by new ventures.
15 What are the two potential pitfalls of using a team to start a firm?
16 What in DIC? Explain its objectives & functions.
17 Explain the role of various financial institution at all India level engaged in helping the SSI
18 What are the two primary functions of the financial management of a firm?
19 What is latest Definition of MSME defined by GOI?
20 What is latest procedure for registering as MSME? Has registration been liberalized?

III Long Answer Type Questions:

1. What are Sources of funds and relative advantage and disadvantage
2. Explain steps in raising Equity Funding.
3. What are documents and procedures required to raise Equity funding
4. What is role of Director of Industries, DIC, DCMSME in assisting MSMEs?
5. What is role of SIDBI and NSIC in supporting MSMEs?
6. What is role of Small Industries Development Corporation (SIDC) and State Financial Corporation (SFC) in supporting Industries in India?
7. What is role of NISBUED, and Centre for Entrepreneurship Development (CED), Ahmedabad in promoting Entrepreneurship through Entrepreneurship Development Programmes?
8. Describe the industrial policies regarding SSI in India
9. What ecosystem is there of Startups/ Venture Funding in India
10. What are primary considerations in Startups funding?
11. How you draw up plan for funding a Startup?
12. "The process of Working capital begins with cash and ends with cash." In the light of the above statement explain the operating cycle of working capital.
13. What are the registration formalities of SSI and the incentives available to them from Govt. of India?

14. What are the personal attributes that affect a founder’s chances of launching a successful new firm?
15. What are some of the methods used by founders to find good employees?
16. How do lenders and investors add value to an entrepreneurial venture?
17. What financial parameters are incorporated to help the financing institution to understand the financial viability of the project before financing? Explain
18. What support the government provides to the entrepreneurs in importing the machinery and equipment for production?
19. How PM Narendra Modi’s ‘Make in India’ movement will encourage more entrepreneurship in India? Explain in detail.
20. Why is Entrepreneurial organization team important?

UNIT – IV

I Test Your Skills:

(a) Multiple Choice Questions:

1. An example of collecting primary data is;
(a) Observation
(b) Interviewing
(c) Focus groups
(d) All of the above
Answer: (d)

2. An internal environmental variable.
(a) Financial resources
(b) Technology
(c) Industry demand
(d) The economy
Answer: (a)

3. What is a target market?
(a) A group of customers a venture reaches by accident.
(b) All consumers who purchase the venture's product.
(c) A specific group of potential customers toward which a venture aims its marketing plan.
(d) A chain of discount stores.
Answer: (c)

4. Monitoring ____________ during the implementation of the marketing plan allows the entrepreneur to establish controls on the process.
(a) sales data
(b) research data

(c) consumer data
(d) none of the above
Answer: (a)

5. Out of the total population of people you approach, __________ is the percentage of people who buy.
(a) Mini plan
(b) Test marketing
(c) Hit rate
(d) Proof-of-concept
Answer: (c)

6. Which one of the following is the most important characteristic of a successful business website?
(a) Innovation
(b) Speed
(c) Graphics
(d) Products
Answer: (b)

7. What are the main differences between marketing in a 'corporate setting' and an 'entrepreneurial' one?
(a) Lack of resources; lack of brand name; difficulties in making contacts.
(b) Greater emphasis on personal selling and personal networking.
(c) Faster decision making; more personal responsibility.
(d) Better profit margins; lower costs and greater flexibility.
Answer (a)

8. What are the missing words in the following definition: 'The management of regular marketing can be characterized by a careful planning process which is informed by _______________ to guide the selection of target markets and the composition of a marketing mix with which to position products competitively within the marketplace.
(a) Environmental forecasting
(b) Market research
(c) Product analysis
(d) Customer understanding
Answer: (b).

9. ______ is the group of people on which a marketer focuses promotion and sales efforts.
(a) Me-too group
(b) Maturity group
(c) Target market
(d) Breakeven market
Answer: (c)

10. In franchising, the entrepreneur assumes fewer risks because the franchise provides all but which one of the following?
a. Established market for the product

b. Management assistance in operating the business
c. Economies of scale for purchasing
d. Oversale of rights
e. Favorable image for the product Answer: (a).

11. Which of the following actions will not help directors to protect themselves from non-compliance with their obligations and responsibilities?
(a) keeping themselves fully informed about company affairs
(b) including a disclaimer clause in their service contracts
(c) seeking professional help
(d) ensuring that regular management accounts are prepared by the company
Answer: (b)

12. A product for which there are few substitutes and for which a change in price has little effect on quantity purchased is considered __________.
(a) elastic
(b) inelastic
(c) marked-up
(d) elasticity
Answer: (b)

13. Which one of the following statements is correct?
(a) A company can never have unrestricted objects.
(b) Where a director acts without authority from the Board of Directors, all transactions entered into with third parties will be void.
(c) Where a director acts outside or beyond the powers given to him by the company, all transactions entered into with third parties acting in good faith will be voidable by the company.
(d) Where a director acts outside or beyond the powers given to him by the company, all transactions entered into with third parties acting in good faith are deemed to be free of any limitations under the company's constitution.
Answer: (d)

14. Setting a price that ends in the number 5, 7, or 9 is considered
(a) Return pricing
(b) Psychological price
(c) Skimming
(d) Odd even pricing
Answer: (d)

15. ______ refers to setting the price for an item relatively low and then charging much higher prices for the expendables it uses.
(a) Prestige pricing
(b) Odd-even pricing
(c) Partitioned pricing
(d) Captive pricing
Answer: (d)

16. Which of these is the first step in crafting a job description?
(a) Job overview
(b) Credentials and experience
(c) Duties and responsibilities
(d) Job title
Answer: (d)

17. ______ is an area that Job analysis does NOT cover.
(a) The competitive pay required
(b) The mental and physical tasks involved
(c) The qualifications needed
(d) How the job will be done
Answer: (a)

18. Which of the following questions might give your insight into an applicant's career goals?
(a) Can you name some weaknesses?
(b) What motivates you most in a job?
(c) Did you work while going to school?
(d) Are you willing to work flextime?
Answer: (d)

19. When interviewing candidates, the questions asked should be seeking all of these EXCEPT ______.
(a) Specific and measurable responses
(b) Analytical answers
(c) Personal information
(d) Descriptive responses
Answer: (c)

20. Which of these training is delivered to employees while they perform their regular jobs?
(a) Online
(b) On-the-job
(c) Paid
(d) Off-the-job
Answer: (b)

21. ______ refers to employees' beliefs about the promises between the employee and the firm.
(a) Open-book policy
(b) Autonomy
(c) Psychological contract
(d) Work facilitation
Answer: (b)

22. A management philosophy of selecting and promoting people based on their being the most capable person for the job is considered which of the following?
(a) Nepotism

(b) Meritocracy
(c) Merit privilege
(d) Family practice
Answer: (b)

23. The tasks a new business owner must identify to develop a critical path analysis include:
(a) Number of hours the owner is involved
(b) Prerequisite tasks
(c) Who is responsible for the task
(d) All of the above
Answer: (d)

24. The critical path chart is a living document that should be _________ during the process of actually accomplishing the tasks.
(a) Stopped
(b) Started
(c) Modified
(d) Evaluated
Answer: (c)

25. The _____________ describes attempts to sell current products to new customers.
(a)Product-customer exploitation strategy
(b) Product development strategy
(c) Customer development strategy
(d) Product-customer expansion
Answer: (a)

26. All of the following are signals of potential decline in organizational performance EXCEPT:
(a) Poor communication within the organization
(b) Intolerance of work incompetence
(c) Fear of conflict and taking risks
(d) Negative cash flow
Answer: (d)

27. ________ is a strategy designed for situations in which the organization's performance problems are very serious, as reflected by its performance measures.
(a) Retrenchment
(b) Turnaround
(c) Expansion
(d) Diversification
Answer: (b)

28. _______ is a radical redesign of the organization's business processes.
(a) Reengineering
(b) Downsizing
(c) Bankruptcy

(d) Expanding
Answer: (a)

29. What characterizes the techniques used in entrepreneurial marketing?
(a) Mass media, passive reception, customer resistance
(b) Low cost, word-of-mouth
(c) Informal, personal and strongly interactive
(d) Guerrilla marketing and ambush marketing
Answer: (c)

30. Of the following, which one would not be considered an alternative to independent entrepreneurship?
(a) Franchise
(b) Spin-off
(c) Intrapreneurship
(d) Subsidiary
Answer: (d)

31. Of the following, which is best identified as an independent entrepreneurship that produces a product or service that originated in a large company?
(a) Diversification
(b) Intrapreneurship
(c) Franchise
(d) Spin-off
Answer: (d)

32. Of the following, which is best identified when a business with an established name and product is sold to additional owners along with the rights to distribute product?
(a) Franchise
(b) Intrapreneurship
(c) Trade-off
(d) Entrepreneurship
Answer: (a)

33. Management tactics purported to maximize innovation for an entrepreneurship include all but which of the following items?
(a) Cutting of losses
(b) Culture
(c) Benchmarking
(d) Customer orientation
Answer: (c)

34. In franchising, the entrepreneur assumes fewer risks because the franchise provides all but which one of the following?
(a) Established market for the product
(b) Management assistance in operating the business

(c) Economies of scale for purchasing
(d) Oversale of rights
Answer: (d)

34. Which of the following is the reason for business failure __________.
(a) Lack of market research.
(b) Poor financial control.
(c) Poor management.
(d) All the above.
Answer: (d)

35. The three important components in aligning business strategy with HR practice:
(a) Business Strategy, Human Resource Practices, Organizational Capabilities
(b) Marketing Strategy, Human Resource Practices, Organizational Capabilities
(c) Business Strategy, Human Resource Practices, Organizational structure
(d) Marketing Strategy, Human Resource Practices, Organizational structure
Answer: (a)

36. Competitor analysis begins with:
(a) Gathering samples of the competitors' product(s).
(b) Discovering each competitors advertising budget.
(c) Documenting the current strategy of each primary competitor.
(d) Identifying which competitors are most successful.
Answer: (c)

37 Marketing research begins with:
(a) Setting the advertising budget.
(b) Definition of objectives or purpose.
(c) Identifying direct marketing strategy.
(d) Collecting a list of primary and secondary sources of information.
Answer: (c)

38 Which stage of marketing research is considered to be the most difficult for an entrepreneur due to lack of knowledge or experience in marketing?
(a) Analyzing and interpreting the results
(b) Gathering data from primary sources
(c) Gathering data from secondary sources
(d) Defining the purpose or objectives
Answer: (b)

39. The marketing mix consists of:
(a) Product, price, research, and promotion.
(b) Product, research, distribution, and promotion.
(c) Product, price, distribution, and promotion.
(d) Product, price, distribution, and research.
Answer: (c)

40. Market segmentation is the process of:
(a) Describing market conditions.
(b) Dividing the market into smaller homogeneous groups.
(c) Presenting future opportunities.
(d) Exploring new market opportunities.
Answer: (a)

II Short Answer Type Questions:

1. Explain the importance of Trade Fairs and Exhibitions in entrepreneurial; development.

2. Explain how Human Resource is important in the organization.

3. Explain the main criteria that can be used for evaluating entrepreneurial performance.

4. What are Marketing Management issues involved in management of small business?

5. Will internet and E-commerce help solving the problems of new ventures? If yes, explain how?

6. Can most firms be classified as rapid-growth firms? Explain your answer.

7. What are the potential downsides to firm growth?

8. Suggest suitable measures for developing human resource in new enterprise

9. Explain Market Segmentation and Demographic/ Geographical profile of customer.

10. Explain concept of customer persona.

11. How maturity of Industry effects Marketing.

12. How Strategic partnerships increase competitiveness in Marketing product/ service.?

13.How would you evaluate a franchise option?

14. Franchisee is a smarter entrepreneur. Do you agree? Explain.

15.What are the advantages and disadvantages of buying in an existing business?

16. What are the repercussions faced by a firm when it fails to manage growth?

17. What is adverse selection and how might it affect entrepreneurial firms?

18. One of the most difficult challenges involved with rapid growth is quality control. Why is this so?

19. What are the benefits of planning for growth?

20. How does improving an existing product or service increase a business’s revenue?

III Long Answer Type Questions:

1. Why today organizations give emphasis on the development of human resource into competitive advantage?

2. What are the factors that a business needs to keep in mind when preparing for growth? What are the indicators that a business is growing too fast?

3. “Diversification may be riskier as compared to expansion”. Discuss. What are the practical problems faced in expansion and diversification?

4. Startups requires marketing, production, finance and human resource management. Do you agree? Give your opinion.

5. What are the key success factors in service marketing? Explain in detail.

6. Explain the Marketing process involved in marketing the products/services of a Startup. How to estimate demand for products in the market? Explain demand forecasting techniques.

7. List some of the best practices in New Product development in the context of entrepreneurial firms?

8. What are some of the methods of identifying new products and services?

9. Why do firms pursue growth? How can a firm achieve economies of scale?

10. How Startups in Manufacturing are different from Startups in Services.

11. Foundation of every successful business is clear understanding of customer and their needs. Explain various factors of study the above.

12. Well-planned marketing and sales activities is imperative for success of the project. What are the various activities for the above well-planned Marketing and sales?

13. What is the nitty-gritty of the supply chain management?

14. Business is like chess. To be successful, anticipate & plan several moves in advance. How an execution strategy is worked out for 3 to 5 years?

15. What are the factors that a business needs to keep in mind when preparing for growth? What are the indicators that a business is growing too fast?

16. What is sustained growth? Why is it important?

17. What are the factors that a business needs to keep in mind when preparing for growth? What are the indicators that a business is growing too fast?

18. What is the difference between an internal and an external growth strategy?

19. What are the six foreign market entry strategies and what are the key characteristics of each one?

20. What are the factors that determine whether a firm is suitable for growth in international markets?

QUESTION BANK

BCOM(H) - V SEMESTER

VALUATION OF FIXED INCOME SECURITIES – BCOM-305

UNIT -I

Multiple Choice Questions

1. A bond that makes no coupon payments (and thus is initially priced at a deep discount to par value) is called a _______ bond.
   a) Treasury
   b) municipal
   c) floating rate
   d) junk
   e) zero-coupon

   Ans: e)

2. The long-term bonds issued by the United States government are called:
   a) Treasury bonds.
   b) Municipal bonds.
   c) Floating rate bonds.
   d) Junk bonds.
   e) Zero-coupon bonds.

   Ans: a)

3. The stated interest payment, in dollars, made on a bond each period is called the bond:
   a) Coupon
   b) Face value.
   c) Maturity
   d) Yield to maturity.
   e) Coupon rate.

   Ans: a)

4. The principal amount of a bond that is repaid at the end of the loan term is called the bond's:
   a) Coupon
   b) Face value
   c) Maturity
   d) Yield to maturity
   e) Coupon rate.

   Ans: b)

5. A bond which, at the election of the holder, can be swapped for a fixed number of shares of common stock at any time prior to the bond's maturity is called a _____________ bond.
    a) zero-coupon
    b) callable
    c) putable
    d) convertible
    e) warrant

    Ans: d)

6. A bond with a face value of $1,000 that sells for more than $1,000 in the market is called a:
    a) Par bond.
    b) Discount bond.
    c) Premium bond.
    d) Zero-coupon bond.
    e) Floating rate bond.

    Ans: c)

7. A bond with a face value of $1,000 that sells for less than $1,000 in the market is called a:
    a) Par bond
    b) Discount bond
    c) Premium bond
    d) Zero-coupon bond
    e) Floating rate bond.

    Ans: b)

8. The annual coupon payment of a bond divided by its market price is called the:
    a) Coupon rate.
    b) Current yield.
    c) Yield to maturity.
    d) Bid-ask spread.
    e) Capital gains yield.

    Ans: b)

9. Straight bonds are also known as which of the following ?
    a) Puttables debentures
    b) Plain vanilla bonds
    c) Zero coupon bonds
    d) Commodity linked bonds

    Ans: b)

10. Yield to maturity is what?
    a) Current yield
    b) Combination of current yield and annual appreciation or depreciation
    c) Annual appreciation or depreciation
    d) None of the above

    Ans: b)

11. The yield curve shows the relationship between:
    a) Yield to maturity and terms to maturity
    b) Terms to maturity and price
    c) Yield to maturity and price
    d) None of these

    Ans: a)

12. The yield curve representing the structure of interest rates of bonds may follow the?
    a) Downwards
    b) Humped
    c) Upwards
    d) Any pattern

    Ans: d)

13. The greater long term rates as compared to short term rates is an indicator of which of the following ….
    a) Upward slope
    b) Downward slope
    c) Flat
    d) Humped slope

    Ans: a)

14. The specified date on which the principal amount of a bond is payable is referred to as which one of the following?
    a) coupon date
    b) yield date
    c) maturity
    d) dirty date
    e) clean date

    Ans: c)

15. A bond that is payable to whomever has physical possession of the bond is said to be in:
    a) new-issue condition.
    b) registered form.
    c) bearer form.
    d) debenture status.

e) collateral status.

Ans: c)

16. The Leeward Company just issued 15-year, 8 percent, unsecured bonds at par. These bonds fit the definition of which one of the following terms?
    a) note
    b) discounted
    c) zero-coupon
    d) callable
    e) debenture

    Ans: e)

17. The difference between the price that a dealer is willing to pay and the price at which he or she will sell is called the:
    a) equilibrium.
    b) premium.
    c) discount.
    d) call price.
    e) spread.

    Ans: e)

18. Which of the following are the instruments of money market?
    a) Call money
    b) Certificate of deposits
    c) Trade bills
    d) All of the above

    Ans: a)

19. What is the maximum maturity period of funds/instruments in money market?
    a) 1 day
    b) 7 days
    c) 14 days
    d) 1 year

    Ans: d)

20. Who regulates the money market instruments in India?
    a) Ministry of Finance
    b) RBI
    c) Department of Economic Affairs
    d) MCA

    Ans: b)

21. _____________ is also called zero coupon bond.

a) Trade bills
b) Call money
c) Treasury bills
d) Commercial papers

Ans: c)

22. Which of the following statements is not true with regard to Treasury bills?
    a) Are issued in the form of a promissory note.
    b) They are highly liquid and have assured yield
    c) They carry high risk of default.
    d) They are available for a minimum amount of ₹25,000 and in multiples thereof.

    Ans: c)

23. They can be issued to individuals, corporations and companies during periods of tight liquidity when the deposit growth of banks is slow but the demand for credit is high.
    a) Commercial papers
    b) Call money
    c) Commercial bill
    d) Certificate of deposit

    Ans: d)

24. It is a short-term, negotiable, self-liquidating instrument which is used to finance the credit sales of firms.
    a) Commercial bill
    b) Commercial papers
    c) Call money
    d) None of the above

    Ans: a)

25. A rise in call money rates makes other sources of finance such as commercial paper and certificates of deposit
    a) Expensive in comparison with banks who raise funds from these sources.
    b) Cheaper in comparison with banks who raise funds from these sources.
    c) Creates no effect on other sources.
    d) None of the above

    Ans: d)

Short Answer Questions

1. What are the important features of fixed income securities?
2. Write a brief note on Global Fixed Income Markets?
3. What is an important feature of convertible bonds.

4. What are callable bonds? How are they different from putable bonds?
5. What is a term bond?
6. What is the term or tenor of a Fixed Income security?
7. What is the nature and creditworthiness of the borrower / issuer?
8. What are the key factors in the legal structure of a Fixed Income security?
9. What other types of Fixed Income securities are available to investors?
10. What is the interest rate or coupon of the Fixed Income security?

Short Answer Questions

1. 'Stocks are considered to be risky, but bonds are not.' This is not fully correct. Elucidate the statement.
2. Explain different types of Bonds in detail.
3. Are Fixed Income securities traded? What are the possible factors which impact the price of a Fixed Income security?
4. What are the benefits of investing in Fixed Income securities?
5. What are the risks of investing in Fixed Income securities?
6. What should investors consider before investing in Fixed Income securities?
7. What are Money Market Instruments? What are the Pros and Cons of Money Market Instruments?
8. Who Should Invest in Money Market Mutual Funds? What are the different factors that determine Interest Rates of Money Market Instruments?
9. Are money market instruments entirely risk-free?
10. What is the difference between money market instruments and fixed income instruments? Which is the best money market instrument?

UNIT -II

Multiple Choice Questions

1. The value of a bond and debenture is
    a) Present value of interest payments it gets
    b) Present value of contractual payments it gets till maturity
    c) Present value of redemption amount
    d) None of the above

   Ans: b)

2. Required rate of return>Coupon rate, the bond will be valued at
    a) Premium
    b) Par value
    c) Discount
    d) None of the above.

   Ans: c)

3. If the coupon rate is constant, the value of bond when close to maturity will be

   a) Issued value
   b) Par value
   c) Redemption value
   d) All of the above

   Ans: c)

4. A bond is said to be issued at premium when
   a) Coupon rate>Required returns
   b) Coupon rate=Required returns
   c) Coupon rate
   d) None of the above

   Ans: a)

5. A bond with a face value of $1,000 has annual coupon payments of $100 and was issued 10 years ago. The bond currently sells for $1,000 and has 8 years remaining to maturity. This bond's ______________ must be 10%.

   I. Yield to maturity
   II. Market premium
   III. coupon rate

   a) I only
   b) I and II only
   c) III only
   d) I and III only
   e) I, II and III

   Ans: d)

6. If you divide a bond's annual coupon payment by its current yield you get the ___________.
   a) yield to maturity
   b) investors' required rate of return
   c) annual coupon rate
   d) cost of capital
   e) bond price

   Ans: e)

7. Which of the following statements regarding bond pricing is true?
   a) The lower the discount rate, the more valuable the coupon payments are today.
   b) Bonds with high coupon payments are generally (all else the same) more sensitive to changes in interest rates than bonds with lower coupon payments.
   c) When market interest rates rise, bond prices will also rise, all else the same.

d) Bonds with short maturities are generally (all else the same) more sensitive to changes in interest rates than bonds with longer maturities.
e) All else the same, bonds with larger coupon payments will have a lower price today.

Ans: a)

8. Your broker offers you the opportunity to purchase a bond with coupon payments of $90 per year and a face value of $1000. If the yield to maturity on similar bonds is 8%, this bond should:
   a) Sell for the same price as a similar bond regardless of their respective maturities.
   b) Sell at a premium.
   c) Sell at a discount.
   d) Sell for either a premium or a discount but it's impossible to tell which.
   e) Sell for par value.

   Ans: b)

9. The value of holding period return is always show:
   a) Equal to 0
   b) Less than 0
   c) Greater than 0
   d) Negative

   Ans: c)

10. Current yield is equal to What ?
   a) Running yield
   b) Income yield
   c) Market yield
   d) Any of these

   Ans: d)

11. What indicate the relationship between interest rate and reinvestment rate
   a) Zero
   b) Positive
   c) Negative
   d) Perfectly negative

   Ans: b)

12. Currently, the bond market requires a return of 11.6 percent on the 10-year bonds issued by Winston Industries. The 11.6 percent is referred to as which one of the following?
   a) coupon rate
   b) face rate
   c) call rate
   d) yield to maturity

e) interest rate

Ans: d)

13. The current yield is defined as the annual interest on a bond divided by which one of the following?
    a) coupon
    b) face value
    c) market price
    d) call price

    Ans: c)

14. The pure time value of money is known as the:
    a) liquidity effect.
    b) Fisher effect.
    c) term structure of interest rates.
    d) inflation factor.
    e) interest rate factor.

    Ans: c)

15. The interest rate risk premium is the:
    a) additional compensation paid to investors to offset rising prices.
    b) compensation investors demand for accepting interest rate risk.
    c) difference between the yield to maturity and the current yield.
    d) difference between the market interest rate and the coupon rate.
    e) difference between the coupon rate and the current yield.

    Ans: b)

16. Which one of the following risk premiums compensates for the possibility of nonpayment by the bond issuer?
    a) default risk
    b) taxability
    c) liquidity
    d) inflation
    e) interest rate risk

    Ans: a)

17. The liquidity premium is compensation to investors for:
    a) purchasing a bond in the secondary market.
    b) the lack of an active market wherein a bond can be sold for its actual value.
    c) acquiring a bond with an unfavorable tax status.
    d) redeeming a bond prior to maturity.
    e) purchasing a bond that has defaulted on its coupon payments.

Ans: b)

18. An 8 percent corporate bond that pays interest semi-annually was issued last year. Which two of the following most likely apply to this bond today if the current yield-to-maturity is 7 percent?
 I. a structure as an interest-only loan
 II. a current yield that equals the coupon rate
 III. a yield-to-maturity equal to the coupon rate
 IV. a market price that differs from the face value

    a) I and III only
    b) I and IV only
    c) II and III only
    d) II and IV only
    e) III and IV only

    Ans: b)

19. All else constant, a bond will sell at _____ when the coupon rate is _____ the yield to maturity.
    a) a premium; equal to
    b) a discount; less than
    c) a discount; higher than
    d) par; less than
    e) a premium; less than

    Ans: b)

20. The Walthers Company has a semi-annual coupon bond outstanding. An increase in the market rate of interest will have which one of the following effects on this bond?
    a) increase the coupon rate
    b) decrease the coupon rate
    c) increase the market price
    d) decrease the market price
    e) increase the time period

    Ans: d)

21. Which one of the following relationships is stated correctly?
    a) The coupon rate exceeds the current yield when a bond sells at a discount.
    b) The call price must equal the par value.
    c) An increase in market rates increases the market price of a bond.
    d) Decreasing the time to maturity increases the price of a discount bond, all else constant.

e) Increasing the coupon rate decreases the current yield, all else constant.

Ans: d)

22. The duration of a bond is a function of the bond's
    a) coupon rate.
    b) yield to maturity.
    c) time to maturity.
    d) all of the above.
    e) none of the above

Ans: d)

23. Ceteris paribus, the duration of a bond is positively correlated with the bond's
    a) time to maturity.
    b) coupon rate.
    c) yield to maturity.
    d) all of the above.
    e) none of the above.

Ans: a)

24. The "modified duration" used by practitioners is equal to the Macaulay duration
    a) times the change in interest rate.
    b) times (one plus the bond's yield to maturity).
    c) divided by (one minus the bond's yield to maturity).
    d) divided by (one plus the bond's yield to maturity).
    e) none of the above.

Ans: d)

25. Which of the following statements is correct concerning the term structure of interest rates?

    I. Expectations of lower inflation rates in the future tend to lower the slope of the term structure of interest rates.

    II. The term structure of interest rates includes both an inflation premium and an interest rate risk premium.

    III. The real rate of return has minimal, if any, affect on the slope of the term structure of interest rates.

    IV. The term structure of interest rates and the time to maturity are always directly related.
    a) I and II only
    b) II and IV only
    c) I, II, and III only
    d) II, III, and IV only
    e) I, II, and IV only

Ans: c)

Short Answer Type Questions

1. How is holding period return calculated?
2. State the basic bond valuation technique.
3. Explain the relationship between the required rate of return/discount rate and the value of the bond?
4. Why does your current investment in bonds become less attractive if the rate of interest in the market increases?
5. State how Yield to Maturity is calculated?
6. State the valuation formula for a bond which pays interest semi-annually.
7. If Yield to Maturity is merely a promised yield, why do investors not use some other measures of yield?
8. Market interest rates and bond prices are inversely related? Explain why.
9. How can a bond investor eliminate the investment rate risk in bond?
10. Why is Yield to Maturity important?
11. What is meant by Duration?
12. Explain the relationship between duration and price changes.
13. How would you immunize a bond portfolio using the immunization technique?

Long Answer Type Questions

1. What are the implications of Malkiel's bond price theorems to bond investors? Which two bond variables are of major importance in assessing bond price changes.
2. Discuss the term 'structure of interest rates'. How do theories explain structure of interest rates?
3. What is a yield curve? Why does the Riding the Yield Curve Strategy work profitably When a yield curve is upward sloping?
4. Define bond yield. What is the bond yield, vis-à-vis the coupon rate, that is expected if the bond is selling at a premium?
5. How do you define yield to maturity (YTM)? How is it different from yield to call (YTC) and holding period return (HPR)?
6. What do you understand by valuation of financial asset? What is meant by capitalised value? Why is it considered a realistic concept of valuation?
7. Why does the discount rate used for finding the capitalised value/intrinsic value vary from investor to investor?
8. Explain and illustrate the following: Current yield, Yield to maturity, Yield to call and Realised yield to maturity.
9. Does current yield more strongly overstate yield to maturity for long term maturity or short-term maturity premium bonds.
10. When is a bond selling at a discount based on coupon rate and current yield? At a premium?
11. Explain the concepts of Duration, Modified Duration and Basis Point Value? Also explain how duration can be used for hedging a bond position.

UNIT -III

Multiple Choice Questions

1. ____________ is the entity through which the securitization transaction is actually operated.
    a) Originator
    b) SPV
    c) Seller
    d) Investor

    Ans: a)

2. A transaction where financial securities are issued against the cash flow generated from a pool of assets is called ______.
    a) Discounting
    b) Factoring
    c) Securitization
    d) Forfaiting

    Ans: c)

3. The concept of securitization is associated with _____________.
    a) Capital Market
    b) Money Market
    c) Debt Market
    d) Foreign exchange market

    Ans: a)

4. One of the main differences between residential mortgage loans and permanent financing of commercial real estate lies in the allocation of liability in the case of default. In commercial real estate, a "bankruptcy remote" special-purpose entity is created that shields the actual borrower from personal liability. When a lender cannot lay claim to the personal assets of the defaulted borrower, this type of loan is commonly referred to as a:
    a) nonrecourse loan
    b) mini-perm loan
    c) partially amortizing loan
    d) interest-only loan

    Ans: a)

5. Which of the following types of loans is the most common instrument used to finance the acquisition of existing commercial property?
    a) Fixed-rate balloon mortgage loans
    b) Floating-rate mortgage loans

c) Mezzanine loans
d) Construction loans

Ans: a)

6. Mortgage is a
   a) Security on immovable property for a loan given by a bank
   b) Security on movable property for a loan given by a bank
   c) Security on immovable property for a deposit received by a bank
   d) Concession on immovable property for a loan given by a bank

   Ans: a)

7. The primary mortgages involve
   a) three institutions
   b) single investor
   c) multiple investor
   d) multiple institutions

   Ans: b)

8. The ownership of mortgaged property will be transferred to financial institution if the
   a) borrower defaults
   b) borrower does not default
   c) borrower want less rate
   d) borrower want profit

   Ans: a)

9. The type of security backed by mortgage cash flows and are packed by financial instruments is classified as
   a) cash mortgage
   b) securitized mortgage
   c) financial mortgage
   d) instrumental mortgage

   Ans: b)

10. The loan which is made available for businesses or individuals to buy land, home or other property is classified as
    a) secondary loan
    b) primary loan
    c) mortgages
    d) swapped mortgages

Ans: c)

11. For a particular security transaction, the agreement is 'repo' with the point of view of
    a) security seller
    b) security buyer
    c) security function
    d) security function

    Ans: a)

12. Which of the following characteristics are most desirable in a Commercial Mortgage-Backed Security from the point of view of a lender?
    a) A low loan-to-value ratio and a low debt-service-coverage ratio.
    b) A low loan-to-value ratio and a high debt-service-coverage ratio.
    c) A high loan-to-value ratio and a high debt-service-coverage ratio.

    Ans: b)

13. Which of the following is most likely to be a risk associated with the balloon maturity provision in CMBS?
    a) Interest rate risk.
    b) Prepayment risk.
    c) Extension risk.

    Ans: c)

14. Which of the following non-mortgage asset-backed-securities is (are) amortizing loans?
    a) Auto Loan-backed Securities.
    b) Credit Card Receivable-backed Securities.
    c) Both Auto Loan-backed Securities and Credit Card Receivable-backed Securities.

    Ans: a)

15. What are the steps of the securitization process?
    a) 1. Pool assets. 2. Divide assets into pieces or shares. 3. Sell shares to investors.
    b) 1. Sell mortgages. 2. Pool money together. 3. Lend more money.
    c) 1. Pool money. 2. Divide assets into shares. 3. Purchase mortgages.
    d) 1. Purchase mortgages. 2. Buy securities. 3. Sell mortgages to other companies.

    Ans: a)

16. Which is a disadvantage of securitization?
    a) The bank does not get mortgage payments.
    b) The investor does not take the risk of default.
    c) All of the risk is passed on to the purchaser of the security. If the mortgages go into default, the bank is no longer liable for the mortgages.
    d) There is no disadvantage.

Ans: d)

17. What is securitization?
    a) An illiquid asset
    b) The process by which specific assets are pooled together and repackaged as interest-bearing securities
    c) A liquid asset
    d) The sale of a mortgage-backed security

    Ans: b)

18. The responsibilities of the ________ are to represent the interests of the bond classes by monitoring compliance with covenants and in the event of default to enforce remedies as specified in the governing documents.
    a) trustee
    b) originator
    c) SPV
    d) Conduit

    Ans: a)

19. In regards to auto loan-backed securities, which of the below statements is TRUE?
    a) Auto loan-backed securities are issued by the financial subsidiaries of auto manufacturers (domestic and foreign) but not by commercial banks and independent finance companies.
    b) The cash flow for auto loan-backed securities consists of regularly scheduled monthly loan payments (interest and scheduled principal repayments) and any prepayments.
    c) For securities backed by auto loans, prepayments cannot result from sales and trade-ins requiring full payoff of the loan.
    d) Although refinancings may be a minor reason for prepayments of residential mortgage loans, they are of major importance for automobile loans.

    Ans: b)

20. In regard to credit card receivable-backed securities, which of the below statements is FALSE?
    a) Credit card receivable-backed securities are backed by the cash flow of a pool of credit card receivables.
    b) The cash flow consists of finance charges collected, fees, and principal.
    c) Finance charges collected represent the periodic interest the credit card borrower is charged based on the unpaid balance after the grace period but these fees do not include late payment fees and any annual membership fees.

d) Interest to the bond classes is paid periodically (e.g., monthly, quarterly, or semiannually) and may be fixed or floating.

Ans: d)

21. In creating the various bond classes (or tranches) in a securitization, there will be rules for distribution of principal and interest. In regards to the transaction structure of an ABS, which of the below statements is FALSE?
    a) The transaction structure of an ABS is designed to create bond classes with investment characteristics that are less attractive to institutional investors.
    b) In creating the various bond classes (or tranches) in a securitization, there will be rules for distribution of principal and interest.
    c) Credit enhancement levels are determined relative to a specific rating desired by the seller/servicer for a security by each rating agency.
    d) Typically in a securitization, there are at least two classes of bondholders: senior bond classes and subordinate bond classes.

    Ans: a)

22. ________ are loans in which the borrower's periodic payment consists of scheduled principal and interest payments over the life of the loan.
    a) Nonamortizing assets
    b) Amortizing liabilities
    c) Amortizing assets
    d) Nonamortizing liabilities

    Ans: c)

23. A security created by pooling loans (other than residential prime mortgage loans) is referred to as ________.
    a) a residential-backed security (RBS).
    b) a mortgaged-backed security (MBS).
    c) an asset-backed security (ABS).
    d) a prime mortgage-backed security (PMBS).

    Ans: b)

24. ________ do not have a schedule for the periodic payments that the individual borrower must make and requires that the borrower make a minimum periodic payment.
    a) Nonamortizing assets
    b) Amortizing liabilities
    c) Amortizing assets

d) Securitized liabilities

Ans: c)

25. Structuring a securitization will depend on the characteristics of the underlying assets. Specifically, the structure depends on whether ________.
    a) the assets are non-amortizing, and the interest rate on the collateral is fixed.
    b) the liabilities are amortizing or non-amortizing, and the interest rate on the collateral is fixed.
    c) the assets are non-amortizing, and the interest rate on the collateral is floating.
    d) the assets are amortizing or non-amortizing, and the interest rate on the collateral is fixed or floating.

    Ans: d)

Short Answer Type Questions

1. What does it mean for a loan to be securitized?
2. Why do we need to securitize the assets at all?
3. What is a Commercial Mortgage-Backed Securities (CMBS)?
4. Explain different types of Mortgage-Backed Securities.
5. What are the Advantages and Disadvantages of MBS.
6. How Commercial Mortgage-Backed Securities (CMBS) Work?
7. What are the Asset Types Common to Securitization?
8. What do you mean by Residential Mortgage Loan?
9. Explain the Prepayment feature of Residential Mortgage Loan.
10. Explain the Amortization mechanism of MBS?

Long Answer Type Questions

1. What is Securitization? How Does Securitization Work?
2. What are the Types of Securitization?
3. Define securitization, describe the securitization process and explain the role of participants in the process.
4. Explain the terms over-collateralization, first-loss piece, equity piece, and cash waterfall within the securitization process.
5. Analyze the differences in the mechanics of issuing securitized products using a trust versus a special purpose vehicle (SPV) and distinguish between the three main SPV structures: amortizing, revolving and master trust.
6. Explain the reasons for and the benefits of undertaking securitization.
7. Describe and assess the various types of credit enhancements.
8. Explain the various performance analysis tools for securitized structures and identify the asset classes to which they are most applicable.
9. What is a Commercial Mortgage-Backed Securities? What are its benefits and drawbacks? How can we invest in it directly through mutual funds or stocks?

10. Define MBS along with its types in detail. Also explain the amortization mechanism of MBS.

UNIT -IV

Multiple Choice Questions

1. Which among the following are the credit rating agencies of India?

(1) CRISIL (2) CARE (3) ICRA (4) ONlCRA

a) 1 and 3
b) 1,2 and 3
c) 1,3 and 4
d) All of them

Ans: c)

2. Which of the following is the regulator of the credit rating agencies in India?

a) RBI
b) SBI
c) SIDBI
d) SEBI

Ans: d)

3. Consider the following about Credit rating agencies:

1) They are government agencies which evaluate credit worthiness of a client or company
2) CRISIL is an international credit rating agency.

Which of the above are correct?

a) 1 only
b) 1 only
c) Both 1 and 2
d) None of the above

Ans: d)

4. Consider the following statements:

1) A credit rating is an assessment of the credit worthiness of a borrower.
2) Individuals, corporations and governments are assigned credit ratings - whosoever wants to borrow money.
3) Individuals are given 'credit ratings', while corporations and governments receive 'credit scores'.

Which of the given statements is/are correct?

a) 1 and 2
b) 1 and 3
c) 1 only
d) All of the above

Ans: a)

5. Consider the following statements about Credit Crunch:

1) An economic situation where banks and other financial institutions become extremely reluctant to provide loans to businesses.
2) An economic crisis where countries are not able to get funding from World Bank.
3) It also known as credit squeeze.

Which of the above statements are correct?

a) 1 and 2 only
b) 1 and 3 only
c) 2 and 3 only
d) All of the above

Ans: b)

6. Although we have rating agencies like Crisil, ICRA, there is demand to have a separate rating agency for IT companies to protect investors.

Conclusions:

I. Assessment of financial worth of IT companies calls for separate set of skills, insight and competencies.

II. Now the investors investing in IT companies will get protection of their investment.

a) If only conclusion I follows
b) If only conclusion II follows
c) If either I or II follows
d) If neither I nor II follows

Ans: a)

7. Which of the following is India’s first Credit Information Company?

a) CRISIL
b) CIBIL
c) SMERA
d) CERSAI

Ans: b)

8. Which is the India's first credit rating agency?

a) ONICRA
b) CRISIL
c) CARE
d) ICRA
e) None of these

Ans: b)

9. Which of the following is Indian credit rating agency (CRA)?

a) ICRA
b) Moody's
c) Egan-Jones
d) Standard and Poor's
e) None of these

Ans: a)

10. What is the full form of CARE rating agency?

a) Credit analysis and rating agency
b) Credit rating and research
c) Credit rating association and research
d) Credit analysis and research
e) None of these

Ans: d)

11. Where does the headquarters of CRISIL situated?

a) Kolkata
b) Mumbai
c) Delhi
d) Hyderabad
e) None of these

Ans: b)

12. In which year CARE rating agency was setup?

a) 1999
b) 1993
c) 1996
d) 1983
e) 1981

Ans: b)

13. ICRA is the India’s second credit rating agency, what is the full form of I in the ICRA?

a) Investment
b) Induction
c) Indian
d) Invention
e) None of these

Ans: a)

14. Which of these is not a credit rating agency?

a) Moody.
b) Standard & Poors
c) Price water house
d) CRISIL

Ans: c)

15. The risk that a government may default on its debt obligation

a) political risk
b) sovereign risk
c) transfer risk
d) transaction risk

Ans: b)

16. _____ risk, as it is otherwise known, arises due to adverse movements of interest rates or interest rate differentials

a) operational risk
b) political risk
c) Interest rate
d) Currency swaps

Ans: c)

17. The main risk associated with domestic bonds is the risk of ____

a) Bankruptcy
b) Obsolescence
c) Exchange
d) Credit

Ans: a)

18. A sovereign credit rating is the credit rating of a, _____ i.e., a national government

a) Sovereign entity

b) Multinational company
c) Banks
d) Firm

Ans: a)

19. Which of the following best describes the current ratio?

a) debt ratio
b) operating performance ratio
c) liquidity ratio
d) efficiency ratio

Ans: c)

20. Which of the following is likely to be used to measure a company's solvency?

a) Net operating profit margin
b) Current ratio
c) Financial leverage
d) Cash to current liabilities ratio

Ans: c)

21. Which of the following is not a measure of a company's a solvency?

a) Debt to equity ratio
b) Equity to assets ratio
c) Sales to assets ratio
d) Debt to assets ratio

Ans: c)

22. As per Altman‘s model, if the value of z-score of a firm falls between 1.81 and 2.99, then the firm will be:

a) Non-failed firm
b) Failed firm
c) Mixture of failed and non-failed elements
d) None of the above

Ans: c)

23. To earn a high rating from the bond rating agencies, a firm should have

a) a low times interest earned ratio
b) a low debt to equity ratio
c) a high quick ratio
d) a and c

e) b and c

Ans: e)

24. Altman's Z scores are assigned based on a firm's financial characteristics and are used to predict

a) required coupon rates for new bond issues.
b) bankruptcy risk.
c) the likelihood of a firm becoming a takeover target.
d) the probability of a bond issue being called.
e) none of the above.

Ans: b)

25. Which of the following is not a type of liquidity risk?

a) time risk
b) call risk
c) price risk
d) funding risk
e) All are types of liquidity risk

Ans: c)

Short Answer Type Questions

1. What is interest rate risk?
2. What is meant by inflation risk on bonds?
3. What is a credit rating agency?
4. How is a rating denoted?
5. What are investment and speculative grade ratings?
6. Why do ratings change?
7. What does a rating downgrade indicate?
8. Why there are not common symbols for credit ratings of all agencies?
9. What's the Difference Between Credit Ratings and Credit Scores?
10. Name the 7 Major Credit Rating Agencies in India.

Long Answer Type Questions

1. Discuss the functions of debt rating and why it is important in bond management?
2. Write a brief note on Credit Rating in India. Also explain the different safety ratios used by the rating agencies.
3. How interest rate is determined. Explain its key determinants.
4. How is credit rating done by credit rating agencies? Also explain Altman’s Z-score.
5. What are the common factors that are taken into account while awarding the credit rating?

6. Which are the Credit rating agencies registered with SEBI? What are the measures taken by SEBI in strengthening credit rating?
7. Explain the Grading pattern used by Credit Rating Agencies in India. Also explain the importance of Credit Rating Agencies in India
8. Are Credit rating based on historical information or are they forward looking?
9. What is long-term credit rating vs short-term credit rating?
10. What is a rating action? Explain the meaning of re-affirmation, upgrade and downgrade?

QUESTION BANK

MANAGEMENT ACCOUNTING

BBA - 207

QUESTION BANK
MANAGEMENT ACCOUNTING - BBA - 207
BBA -III

UNIT –I

I MULTIPLE CHOICE QUESTIONS:

1. Management Accounting and financial accounting differ in that management accounting information is prepared –

   (a) Following prescribed rules

   (b) Using whatever methods the company finds beneficial

   (c) For shareholders

   (d) To summarize the whole company with little detail

   Ans: (b)

2. Purpose of Management Accounting is to –

   (a) Past orientation

   (b) Help banks make decisions

   (c) Help managers make decisions

   (d) Help investors make decisions

   Ans: (c)

3. Management Accounting is the branch of accounting concerned with reporting to –

   (a) Internal Managers

   (b) Shareholders

   (c) The Government

   (d) Bankers

   Ans: (a)

4. Which of the following does NOT describe management accounting?

   (a) Evaluation of segments or products within the firm

   (b) Emphasis on the future

   (c) Externally focused

   (d) Detailed information

   Ans: (c)

5. Management accounting reports are prepared
   (a) To meet the needs of decision makers within the firm
   (b) Whenever shareholders request them
   (c) According to guidelines prepared by the shares and Financial Services Authority
   (d) According to financial accounting standards

   Ans: (a)

6. Management accounting is primarily concerned with -
   (a) Providing investors with useful information for valuing securities.
   (b) Providing creditors information on the status of their loans.
   (c) Providing managers with relevant information to help achieve organizational goals.
   (d) Providing the relevant taxation authorities with information to determine the amount of taxes owed.

   Ans: (c)

7. Management accounting assists the management
   (a) Only in control
   (b) Only in direction
   (c) Only in planning
   (d) In planning, direction and control

   Ans: (d)

8. Management accounting deals with –
   (a) Quantitative Information
   (b) Qualitative Information
   (c) Both (a) and (b)
   (d) None of the above

   Ans: (c)

9. Accounting becomes a source of information for Management Accounting.
   (a) Financial
   (b) Cost
   (c) Both (a) and (b)
   (d) None of the above

Ans: (c)

10. The primary objective of management accounting is –
    (a) To provide shareholders and potential investors with useful information for decision making
    (b) To provide banks and other creditors with information useful in making credit decisions
    (c) To provide management with information useful for planning and control of operations
    (d) To provide the relevant taxation authorities with information about taxable income

    Ans: (c)

11. Management Accounting and financial accounting differ in that management accounting information is prepared –
    (e) Following prescribed rules
    (f) Using whatever methods the company finds beneficial
    (g) For shareholders
    (h) To summarize the whole company with little detail

    Ans: (b)

12. Purpose of Management Accounting is to –
    (e) Past orientation
    (f) Help banks make decisions
    (g) Help managers make decisions
    (h) Help investors make decisions

    Ans: (c)

13. Which of the following statements correctly distinguishes between financial and management accounting?
    (a) Management accounting reports on the whole organization.
    (b) Financial accounting is oriented toward the future.
    (c) Financial accounting is primarily concerned with providing information for internal users.
    (d) Management accounting is oriented more toward the planning and control aspects of management.

    Ans:(d)

14. Setting the company's profit targets for the upcoming year is an example of the management function of
    (a) planning.
    (b) control.
    (c) variance analysis.

(d) internal auditing.
Ans:(a)

15. Management accounting is concerned with which kind of decision?
(a) product costing and pricing
(b) continuous operational improvement
(c) financial control
(d) all of the above
Ans:(d)

16. Management accounting:
(a) provides a framework to evaluate information in light of an organization's goals.
(b) provides relevant information to managers.
(c) provides relevant information to meet specific needs of persons inside the organization.
(d) all of the above
Ans:(d)

17.In ______ figures of two or more periods are placed side by side to facilitate easy and meaningful comparisons…

(a) Common-size statement analysis
(b) Comparative statement analysis
(c) Trend percentage analysis
(d) None
Ans:(b)

18.What is shown by a comparative balance sheet?

(a) Two years balance sheet figures
(b) Increase or decrease in figures
(c) Percentage of increase or decrease
(d) All of the above
Ans:(d)

19. The comparative income statement shows the increase or decrease of _______ over the previous year.

(a) Sales
(b) Profit
(c) Expense
(d) All of the above

Ans: (d)

20. The technique of converting figures into percentage in some common base is called…

(a) Ratio analysis
(b) Common size statement analysis
(c) Trend percentages
(d) None

Ans: (a)

21. In common size balance sheet analysis, the ________ are taken as cent percent.

(a) Total assets
(b) Fixed assets
(c) Total capital
(d) None

Ans: (a)

22.The technique of taking first year figures as base and comparing with subsequent years is called…

(a) Ratio analysis
(b) Common size statement
(c) Trend analysis
(d) None

Ans: (c)

23.What ratios are applied to find out the efficiency of performance of a firm?

(a) Activity ratio
(b) Profitability ratio
(c) Both

(d) None

Ans: ©

24.What is the expected standard for current ratio?

(a) 1:2
(b) 2:1
(c) 2:3
(d) 1:3

Ans: (b)

25.Net profit ratio shows the relation between net profits and _________

(a) Gross sales
(b) Net sales
(c) Sales return
(d) Cost of sales

Ans: (b)

26.Return on capital employed shows the _________ of a firm.

(a) Profitability
(b) Overall efficiency
(c) Both
(d) Subjective matter

Ans: (c)

27.In cash flows, when a company invests in fixed assets and short-term financial investments results in

(a) Increased Equity
(b) Increased Liabilities
(c) Decreased Cash
(d) Increased Cash

Ans: (c)

28. A company that issues stocks and bonds to raise funds results in

(a) Decrease in Cash
(b) Increase in Cash
(c) Increase in Equity
(d) Increase in Liabilities

Ans: (b)

29. The basic financial statements include

(a) Statement of Cash Flows
(b) Statement of Retained Earnings
(c) Balance Sheet and Income Statement
(d) All of the Above

Ans: (d)

30.The statement of cash flow clarifies cash flows according to

(a) Operating and Non-operating Flows
(b) Inflow and Outflow
(c) Investing and Non-operating Flows
(d) Operating, Investing, and Financing Activities

Ans: (d)

31. Cash flow example from an investing activity is

(a) Issue of Debenture
(b) Repayment of Long-term Loan
(c) Purchase of Raw Materials for Cash
(d) Sale of Investment by Non-Financial Enterprise

Ans: (d)

32. Cash flow example from an operating activity is

(a) Purchase of Own Debenture
(b) Sale of Fixed Assets
(c) Interest Paid on Term-deposits by a Bank
(d) Issue of Equity Share Capital

Ans: (c)

33. Which item comes under financial activities in cash flow?

(a) Redemption of Preference Share
(b) Issue of Preference Share
(c) Interest Paid
(d) All the above

Ans: (d)

34. Current Ratio is :

(a) Solvency Ratio
(b) Liquidity Ratio
(c) Activity Ratio
(d) Profitability Ratio

Ans: (b)

35.Current Ratio is :

(a) Solvency Ratio
(b) Liquidity Ratio
(c) Activity Ratio
(d) Profitability Ratio Answer

Ans: (b)

36. Current Ratio is :

(a) Liquid Assets/Current Assets
(b) Fixed Assets/Current Assets
(c) Current Assets/Current Liabilities
(d) Liquid Assets/Current Liabilities

Ans : (c)

37.Current Ratio is :

(a) Liquid Assets/Current Assets
(b) Fixed Assets/Current Assets

(c) Current Assets/Current Liabilities
(d) Liquid Assets/Current Liabilities Answer

Ans: (c)

38. Working Capital is the :

(a) Cash and Bank Balance
(b) Capital borrowed from the Banks
(c) Difference between Current Assets and Current Liabilities
(d) Difference between Current Assets and Fixed Assets Answer

Ans: (c)

39. P&L statement is also known as?

(a) Statement of earnings

(b) Statement of balance sheet

(c) Statement of operations

(d) Statement of income

Ans: (d)

40. What will be the Gross Profit if , total sales is Rs 2,60,000,cost of net goods sold is Rs 2,00,000 & sales
return is Rs10,000 ?

(a) 13 %
(b) 28%
(c) 26%
(d) 20%

Ans: (d)

41. Determine Working capital turnover ratio if, Current asset is Rs 1,50,000, current liability is Rs 1,00,000
& cost of goods sold is Rs 3,00,000.

(a) 5 times
(b) 6 times
(c) 3 times

(d) 1.5 times

Ans: (b)

42. Proprietary ratio is a

(a) short-term solvency ratio.

(b) long-term solvency ratio.

(c) profitability ratio.

(d) turnover ratio.

Ans: (b)

43. Fixed assets ratio is a

(a) short-term solvency ratio.

(b) long-term solvency ratio.

(c) profitability ratio.

(d) turnover ratio.

Ans : (b)

44. The ratio which measures the profit in relation to capital employed is known as

(a) return on investment.

(b) gross profit ratio.

(c) operating ratio.

(d) operating profit ratio.

Ans: (a)

45.Preliminary expenses is an example of .

(a) fixed assets.

(b) current assets.

(c) fictitious assets.

(d) current liabilities.

Ans: (c)

46. Prepaid expenses is an example of .

(a) fixed assets.
(b) current assets.
(c) fictitious assets.
(d) current liabilities.

Ans: (b)

47. Which of the following is not required to be prepared under the Companies Act?

(a) Statement of Profit and Loss
(b) Balance Sheet
(c) Report of Director's and Auditor's
(d) Funds Flow Statement

Ans: (d)

48. Which of the following is technique of financial statement analysis?

(a) Common-size statement
(b) Comparative statement
(c) Trend analysis
(d) All

Ans. (d)

49. The ratios which reveal the final result of the managerial policies and performance is .

(a) Turnover ratios.
(b) Profitability ratios.
(c) Short term solvency ratio.
(d) Long term solvency ratio.

Ans: (b)

50. The primary purpose of the liquidity ratios is to determine

(a) How much working capital is tied up in inventory?
(b) The relative level of short-term debt.
(c) How well a firm is able to pay off short-term obligations?
(d) More than one of the above.

Ans: (c)

51. Quick ratio is 1.8:1, current ratio is 2.7:1 and current liabilities are Rs 60,000. Determine value of stock.

(a) Rs 54,000
(b) Rs 60,000
(c) Rs 1,62,000
(d) None of the above

Ans: (a)

52. Turnover ratio is also known as .

(a) Activity ratios.
(b) Solvency ratios.
(c) Liquidity ratios.
(d) Profitability ratios.

Ans: (a)

II SHORT ANSWER TYPE QUESTIONS:

1. Define Management Accounting.
2. Discuss the scope and functions of Management Accounting.
3. What are different advantages of Management Accounting.
4. Distinguish between Management Accounting and Cost Accounting.
5. What is meant by Management Accounting? Discuss its objectives.
6. Distinguish between Financial Accounting and Management Accounting.
7. "Management Accounting provides immense help in management decision-making." Discuss.
8. Explain the limitations of Financial Accounting.
9. What are the tools of Management Accounting?
10. What do you mean by Ratio Analysis?
11. What are various types of ratios?
12. The liquidity of a business firm is measured by its ability to satisfy its long term obligations as they become due? Comment.
13. What is a cash flow statement?
14. State the uses of cash flow statement.
15. Explain the terms : Cash equivalents, Cash flows.
16. Explain the major cash inflows and outflows from investing activities.
17. Explain the major Cash inflows and outflows from financing activities.
18. How do we calculate operating cash flow?
19. What is the difference between the direct method and the indirect method for the statement of cash flows?
20. What is a noncash expense?
21. How can a company have a profit but not have cash?

22. Is depreciation a source of funds?
23. What is the payout ratio?
24. Explain the meaning of Analysis and Interpretation.
25. Bring out the importance of Financial Analysis.
26. What are Comparative Financial Statements?
27. What do you mean by Common Size Statements?
28. State any two limitations of ratio analysis.
29. State with reason whether repayment of long-term loan will result in increase, decrease or no change of debt equity ratio.
30. What is meant by 'profitability ratios'?
31. The current ratio of Y Ltd is 2 : 1. State with reason, which of the following transactions would (a) increase, (b) decrease or (c) not change the ratio
    (i) Trade receivables included debtors of ₹ 40,000 which were received Company purchased furniture of ₹ 45,000. The vendor was paid by issue of equity shares of ₹ 10 each at par
32. The debt equity ratio of a company is 1:1 state giving reasons, (any four) which of the following would improve, reduce or not change the ratio
    (i) Purchase of machinery for cash
    (ii) Purchase of goods on credit
    (iii) Sale of furniture at cost
    (iv) Sale of goods at a profit
    (v) Redemption of debentures at a premium
33. What are liquidity ratios?
34. How would you study the solvency position of the firm?
35. What are important profitability ratios?
36. What is the difference between vertical analysis and horizontal analysis?

III LONG ANSWER TYPE QUESTIONS:

1. What are the different methods used for analysis of financial statements?
2. What is the primary objective of management accounting, and how does it differ from financial accounting?
3. How can management accounting support strategic planning and control within an organization?
4. Discuss the role of management accountants in supporting cost reduction and efficiency improvement initiatives within an organization.
5. What is the purpose of financial statement analysis, and why is it important for investors, creditors, and other stakeholders?
6. What are the common financial ratios used in financial statement analysis, and what categories do they fall into (liquidity, profitability, solvency, efficiency, etc.)?
7. Explain the concept of horizontal analysis in financial statement analysis and how it helps in assessing trends and changes over time.
8. What is vertical analysis, and how does it differ from horizontal analysis in evaluating financial statements?

9. Explain the significance of the DuPont Analysis formula in assessing a company's return on equity (ROE).
10. How does a common-size financial statement help in comparing companies of different sizes or in the same industry?
11. What is ratio analysis, and why is it a valuable tool for evaluating the financial performance of a company?
12. Explain the significance of liquidity ratios in ratio analysis and provide examples of commonly used liquidity ratios.
13. Discuss the role of efficiency or turnover ratios in evaluating how effectively a company utilizes its assets.
14. How do solvency ratios help stakeholders assess a company's ability to meet its long-term financial obligations?
15. Explain the difference between cash flow from operating activities, cash flow from investing activities, and cash flow from financing activities in a cash flow statement.
16. What is cash flow analysis, and why is it essential for assessing a company's financial health?
17. Explain how changes in working capital affect cash flow, and provide examples of working capital components.
18. “Return on Investment is a single comprehensive measure that contains everything happens within the organization.” Explain the statement and illustrate its computations with imaginary figures.
19. “Accounting Ratios are mere guides and complete reliance on them in decision-making is suicidal. “Elucidate.
20. Prepare cash flow statement as per AS 3 using imaginary figures with indirect method.

PRACTICAL PROBLEMS

21.Convert the following Income Statement into Comparative Income Statement:

Particulars	1997 Rs.	1998 Rs.
Sales	1,50,000	1,80,000
Cost of Sales	91,000	1,01,250
Gross Profit	59,000	78,750
Operating Expenses:		
Sales Expenses	30,000	33,000
Administration Expenses	15,000	17,000
	45,000	50,000
Income from Operations	14,000	28,850
Other Expenses	2,000	3,000
	12,000	25,850

22. Compute the Trend Percentage from the following data taking 1992 as the base year.

Year	Sales	Stock

	Rs.	Rs.
1992	20,000	2,000
1993	26,000	2,500
1994	32,000	3,000
1995	31,000	2,800
1996	32,000	2,700
1997	30,000	2,900
1998	24,000	2,600

Ans:	1992	1993	1994	1995	1996	1997	1998
Sales	100	130	125	155	160	150	120
Stock	100	125	150	140	135	145	130

23. Following is the Profit and loss Account and Balance sheet of ABC Ltd. You are required to redraft them for the purpose of financial analysis:

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDING 31ST MARCH,1998

Particulars	Rs.	Particulars	Rs.	Rs.
Opening Stock	5,00,000	Sales:		
Purchases	11,00,000	Cash	3,00,000	
Wages	3,00,000	Credit	17,00,000	20,00,000
Factory overheads	2,00,000	Closing Stock		6,00,000
Gross profit	5,00,000			26,00,000
	26,00,000			
Administration expenses	75,000	Gross Profit		5,00,000
Selling and distribution		Dividend on investment		10,000
Expenses	50,000	Profit on sale of furniture		20,000
Interest on Bank Overdraft	20,000			

Depreciation: Office Equipment's	60,000			
Loss on sale of motor car	5,000			
Net profit	3,20,000			
	5,30,000			5,30,000
Preference dividend		Balance b/d		2,71,000
(Net) interim	15,000	Net profit		3,20,000
Provision for taxation	1,76,000			
Balance c/d	4,00,000			
	5,91,000			5,91,000

BALANCE SHEET
AS AT 31ST MARCH,1998

Liabilities	Rs.	Assets	Rs.
Equity share capital	10,00,000	Goodwill (at cost)	5,00,000
6% Preference share capital	5,00,000	Plant and machinery	6,00,000
General reserve	1,00,000	Land & building	7,00,000
Profit and loss account	4,00,000	Furniture and fixture	1,00,000
Provision for taxation	1,76,000	Stock in trade	6,00,000
Bills payable	1,24,000	Bills receivable	30,000
Bank overdraft	1,20,000	Debtors	1,50,000
Creditors	4,80,000	Bank	2,20,000
	29,00,000		29,00,000

[Ans: Cost of Sales Rs. 15,00,000, Other operating expenses Rs. 2,05,000, Net operating profit Rs.2,95,000, Current assets Rs. 10,00,000, Current liabilities and provisions Rs. 9,00,000,FixedassetsRs. 19,00,000, Shareholders' net worth Rs. 20,00,000.]

24.Calculate the following ratios from the balance sheet given below:

(i) Debt-Equity Ratio, (ii) Liquidity Ratio, (iii) Fixed Assets to Current Assets, and (iv) Fixed Assets/Turnover.

BALANCE SHEET

Liabilities	Rs.	Assets	Rs.
Equity Shares of Rs.10 each	1,00,000	Good Will	60,000
Reserves	20,000	Stock	1,40,000
Profit & Loss A/C	30,000	Sundry Debtors	30,000
Secured Loan	80,000	Advances	30,000
Sundry Creditors	50,000	Cash Balance	10,000
Provision for Taxation	20,000		30,000
	3,00,000		3,00,000

The sales for the year were Rs. 5,60,000.

[Ans: (i) Long-term debt/Shareholders' funds = 53; (ii) Liquid assets/Current Liabilities = 1;(iii) Fixed assets/Current assets =1.4; (iv) Sales/Fixed assets=4.]

25. The Balance Sheet of X & Co., as on 31.12.2008 shows as follows:

Liabilities	Rs.	Assets	Rs.
Equity capital	1,00,000	Fixed Assets	1,80,000
9 % Preference Shares	50,000	Stores	25,000
8% Debentures	50,000	Debtors	55,000
Retained Earnings	20,000	B/R	3,000
Creditors	45,000	Bank	2,000
	2,65,000		2,65,000

Comment on the Financial Position of the Company.

[Ans:	Debt equity ratio	1,70,000/2,20,000	= .77
	Fixed assets ration	1,80,000/2,20,000	= .82
	Current ratio	85,000/45,000	= 1.9
	Liquidity ratio	60,000/45,000	=1.33

The financial position of the company may be considered as satisfactory].

26. From the following information, calculate the value of

a) Sales

b) Debtors

c) Closing stock

d) Creditors

Debtors velocity	3 months
Stock velocity	6 months
Creditors velocity	2 months
Gross Profit	20%

Gross profit for the year is Rs 5,00,000. Stock of the year is Rs 20,000 more than what it was in the beginning.
Bills receivables & bills payable were Rs 60,000 & Rs 3,36,667, respectively.
[Ans: Sales = 25,00,000, Debtors = 5,65,000, Creditors = 3,00,000, Closing stock = 10,10,000]

27. The following are the extracts from the financial statement of Blue and Red ltd., As on 31^{st} March, 1997 and 1998 respectively:

	31^{st}march 1997	31^{st}march 1998
	Rs.	Rs.
Stock	10,000	25,000
Debt	20,000	20,000
Bills recievable	10,000	5,000
Advances (recoverable in cash or kind)	2,000	--------
Cash in hand	18,000	15,000
Bills Payable	15,000	20,000
Bank overdraft	-------	2,000
9% Debentures,2,000	5,00,000	5,00,000
Sales for the year	3,50,000	3,00,000
Gross Profit	70,000	50,000

You are required to compute for the both these years:

(i) Current Ratio,
(ii) Liquidity ratio,
(iii) Stock turnover ratio,
(iv) Number of days outstanding of debtors, and
(v) Stock working Capital ratio.

Ans:

		1997	1998
(i)	Current ratio	1.5	1.25
(ii)	Liquidity ratio	1.25	0.8
(iii)	Stock turnover ratio (cost of sales/ Closing stock	28	10
(iv)	Number of days outstanding of debtors	31 days	30 days
(v)	Stock working capital ratio	.5	1.92

28. From the following information, prepare a Balance Sheet with as many details as possible:

Gross Profit	Rs. 80,000	Current assets	Rs. 1,50,000
Gross Profit to cost of goods sold Ratio	1/3		
		Accounts payable velocity	90 days
Stock velocity	Six times	Bills receivable	Rs. 20,000
Opening stock	Rs. 36,000	Bills payable	Rs. 5,000
Account receivable velocity		Fixed assets turnover Ratio	8 Times
(Year 360 days)	72 days		

[Ans : Debtors Rs. 44,000; Closing stock Rs. 44,000; Other current assets Rs. 42,000; creditors Rs. 57,000; Capital (bal.fig)Rs. 1,18,000; Total of balance sheet Rs. 1,80,000]

29. You are given the following figures worked out from the profit and loss account and balance sheet of Blue Ltd. Relating to the year 1998, Prepare the Balance sheet.

Fixed assets (net after writing off 30%)	Rs. 10,50,000
Fixed assets turnover ratio (on cost of sales)	2
Finished goods turnover ratio (on cost of sales)	6
Rate of Gross Profit to Sales	25%
Net profit (before interest) to sales	8%
Fixed charges cover (Debenture Interest 7%)	8%
Debt collection period months	1&½
Material consumed to sales	30%
Stock of raw material (in terms of number of months' consumption)	3
Current Ratio	2.4
Quick Ratio	1.0

Reserves to capital			0.23

Ans

Stock of raw materials	Rs. 2,10,000	Capital	10,00,000
Stock of finished goods	3,50,000	Reserves	2,10,000
Books debts	3,50,000	Debentures	4,00,000
Cash	50,000	Current liabilities	4,00,000
Total of Balance sheet	20,10,000		20,10,000

30. Compute cash from operations from the following figures:
    (i) profit for the year 1998 is a sum of Rs. 10,000 after providing for depreciation of Rs. 2,000.
    (ii) The current assets of the business for the year ending 31st December,1997 and 1998
    Are as follows:

	31st Dec 1997	31st Dec 1998
	Rs.	Rs.
Sundry debtors	10,000	12,000
Provision for Doubtful Debts	1,000	1,200
Bills Receivable	4,000	3,000
Bills Payable	5,000	6,000
Sundry Creditors	8,000	9,000
Inventories	5,000	8,000
Short-term Investments	10,000	12,000
Outstanding Expenses	1,000	1,500
Prepaid Expenses	2,000	1,000
Accrued Income	3,000	4,000
Income Received in Advance	2,000	1,000

[Ans: Cash from Operations Rs. 7,700]

31. From the following profit and loss account, you are required to compute cash from operations:

PROFIT & LOSS ACCOUNT
For the year ending 31st December 1998

	Rs.		Rs.
To Salaries	5,000	By Gross Profit	25,000
To Rent	1,000	By Profit on sale of Land	5,000
To depreciation	2,000	By Income Tax Refund	3,000
To loss on sale of plant	1,000		
To goodwill written off	4,000		
To proposed Dividends	5,000		
To provision for Taxation	5,000		
To net profit	10,000		

	33,000		33,000

[Ans: Cash from Operations Rs. 19,000]

Simple Cash flow statement

32. The following are the summarized Balance sheets of M/s Rahul Brothers Private Ltd. As on March 31, 2007 and 2008:

liabilities	2007 Rs.	2008 Rs.	Assets	2007 Rs.	2008 Rs.
12% Redeemable Preferences shares	-------	1,000	Fixed assets Less depreciation	4,100 1,100	4,000 1,500
Equity shares	4,000	4,000		3000	2,500
	4,000	5,000	Debtors	2,000	2,400
General Reserve	200	200	Stock	3,000	3,500
Profit and Loss A/C	100	120	Prepaid Expenses	30	50
Debentures	600	700	Cash	120	350
Creditors	1200	1100			
Provision for					
Taxation	300	420			
Proposed Dividend	500	580			
Bank overdraft	1250	680		8150	8800

You are required to prepare a Statement of cash flow.
[Ans: Cash Flow from: Operating Activities (After Tax) Rs.100, financing Activities, Rs.600, Investing Activities Rs.100]

33. From the following balance sheet as on 31st December,2007 and 31st December 2008, you are required to prepare a cash flow Statement:

liabilities	2007 Rs.	2008 Rs.	Assets	2007 Rs.	2008 Rs.
Share Capital	1,00,000	1,50,000	Fixed assets	1,00,000	1,50,000
Profit & Loss Account	50,000	80,000	Goodwill	50,000	40,000
General Reserve	30,000	40,000	Inventories	50,000	80,000
12% Bonds	50,000	60,000	Debtors	50,000	80,000
Sundry Creditors	30,000	40,000	Bills receivable	10,000	20,000

Outstanding Expenses	10,000	15,000	Banks	10,000	15,000
	2,70,000	3,85,000		2,70,000	3,85,000

[Ans: Cash flow on Account of (i) operating activities (Rs. 5,000), financing Activities Rs. 60,000, Investment Activities (Rs.50,000)]

Comprehensive Cash Flow Statements

34. Wearwell ltd. Supplies you the following Balance sheet on 31st December:

liabilities	2007 Rs.	2008 Rs.	Assets	2007 Rs.	2008 Rs.
Share capital	70,000	74,000	Bank balance	9000	7800
Bonds	12,000	6,000	Receivable	14900	17700
Accounts payable	10,360	11,840	Inventories	49200	42700
Provision for			Land	20000	30000
Doubtful debts	700	800	Goodwill	10000	5000
Reserve & Surplus	10,040	10,560			
	1,03,100	1,03,200		103100	103200

Following additional information has been supplies to you:

(i) Dividends amounting to Rs. 3,500 were paid during the year 2007.

(ii) Land was purchased for Rs. 10,000.

(iii) Rs. 5,000 were written off on Goodwill during the year.

(iv) Bonds of Rs. 6,000 were paid during the course of the year.

You are required to prepare a cash flow Statement.

[Ans: Cash Flow from : Operating Activities Rs. 14,300, investment Activities (Rs. 10,000), Financing Activities (Rs.5,500).

35. Tiny Tot limited furnish you the following Balance sheet for the years ending on 31stDecember, 2007 and 2008. You are required to prepare a Cash Flow statement for the year ended 31st December,2008

liabilities	2007 Rs.	2008 Rs.	Assets	2007 Rs.	2008 Rs.
Equity Share Capital	10,000	10,000	Goodwill	1200	1200
General Reserve	1,400	1,800	Land	4000	3600
Profit and Loss A/c	1,600	1,300	Building	3700	3600
Sundry Creditors	800	540	Investments	1000	1100

Outstanding Expenses	120	80	Inventories	3000	2340
Provision for Taxation	1,600	1,800	Receivables	2000	2220
Provision for Bad debts	40	60	Bank Balance	660	1520
	15,560				

Following additional information has also been supplied to you:

(i) A piece of land has also been sold for Rs. 400.

(ii) Depreciation amounting to Rs. 700 has been charged on Building.

(iii) Provision for taxation has been made for Rs. 1900 during the year

[Ans: cash flow from: Net operating activities (after tax) Rs. 1,160, Investing Activities (Rs. 300), financing activities (RS. Nil).

36. From the following information you are required to prepare a Cash flow Statement of C.P. Stores Ltd. For the year ended 31st December 2008.

BALANCE SHEET

liabilities	2007 Rs.	2008 Rs.	Assets	2007 Rs.	2008 Rs.
Share Capital	70,000	70,000	Plant &Machinery	50,000	91,000
Secured Loans			Inventory	15,000	50,000
(Repayable in 2010)	------	40,000	Debtors	5,000	20,000
			Cash	20,000	7,000
Creditors	1,000	3,000	Prepaid General		
Tax Payable	1,000	3,000	Expenses	2,000	4,000
Tax Payable P&L A/c	7,000	10,000			
	92,000	1,62,000		92,.000	1,62,000

PROFIT & LOSS ACCOUNT

For the year ended 31st December, 2008

Particulars	Rs.	Particulars	Rs.
To opening Inventory	15,000	By Closing Inventory	40,000

To Purchases	98,000	By Sales	1,00,000
To Gross Profit c/d	27,000		
	1,40,000		1,40,000
To general Expenses	11,000	By Gross Profit b/d	27,000
To Depreciation	8,000		
To Taxes	4,000		
To Net Profit c/d	4,000		
	27,000		
To Dividend	1,000	By Balance b/d	7,000
To Balance c/d	10,000	By Net Profit b/d	4,000
	11,000		11,000

[Ans: Cash flow From: Operating activities (Rs. 3,000), Investment Activities (Rs. 49,000),Financing Activities Rs. 39,000]

37. The Balance Sheet of T Ltd. As at 31st December, 2005 and 31st December, 2006 are as following

Liabilities	2005 Rs.	2006 Rs.	Assets	2005 Rs.	2006 Rs.
Share Capital	300.00		Freehold Property		
Reserves	225.00	240.00	(at cost)		
12% Debentures	75.00	75.00	Plant and Machinery	225.00	240.00
(Unsecured)			(at cost less	135.00	165.00
Mortgage on			depreciation)		
Freehold property	27.00	14.25	Investment in share		
Creditors	45.00	45.00	Of companies under		
Proposed Div.			The same Management	150.00	150.00
(Subject to dividend of tax)	22.50	23.25	(Unquoted)	112.50	112.50
Provision for Taxation	21.00	37.50	(Market Value		
Secured Overdraft (by a floating charge on assets)	15.00	82.50	2006:120 lakhs, 2008: 150 lakhs)		
			Stock	52.50	75.00
			Debtors	45.00	75.00
			Bank	10.50	-------
				730.50	817.50

The following additional information for the year 2006 is relevant:

(i)	Credit sales	Rs. 675 lakhs
(ii)	Credit Purchases	520 lakhs
(iii)	Overheads	83.75 lakhs
(iv)	Depreciation on plant and machinery	17.50 lakhs
(v)	Dividend for 2005 was paid in full	

(vi) Amount paid towards taxation for the year 2005

In view of credit squeeze, the company has been asked by the bank to reduce the overdraft substantially within six months, if possible by 50 per cent.

You are required to prepare a Cash flow Statement and briefly comment on the financial position of the company and suggest remedial measure to overcome the financial crisis.

[Ans. Cash flow from: operating Activities Net (After Tax) Rs. 19.75 lakhs, Investment Activities (Rs. 62.50 lakhs), Financing Activities (Rs. 35.25 lakhs)

38. A Company finds on 1st January,2008 that is short of funds with which to implement its program of expansion. On 1st January,2007, it had a credit balance of Rs. 1,80,000. From the following information, Prepare a statement for board of directors, to show how the overdraft of Rs. 68,750 as at 31st December, 2007 has arisen:

Figure as per balance sheets as at 31st December of each year are as follows :		
	2007	2008
	Rs.	Rs.
Fixed assets	7,50,000	1,120,000
Stocks and stores	1,90,000	3,30,000
Debtors	3,80,000	3,35,000
Bank Balance	(Cr.) 1,80,000	(O.D) 68,750
Trade Creditors	2,70,000	3,50,000
Shares Capital (in shares of RS. 10 each)	2,50,000	3,00,000
Bills receivable	87,500	95,000

The Profit for the year ended 31st December,2008, before charging depreciation and taxation amounted to Rs. 2,40,000. The 5,000 shares were issued on 1stJanuary, 2007, at a premium of Rs.5 per share. Rs. 1,37,500 were paid in March 2008, by way of income-tax. Dividend was paid as follows :

2007 (final) – on the capital on 31-12-2007 at 10 per cent less tax at 25 per cent.
2008 (interim)- 5 per cent free of tax.

[Ans. Cash flows from: Operating Activities (after tax) Rs. 80,000, investment Activities (Rs. 3,70,000), financing activities Rs. 41,250]

39. The directors of Maheshwari Brothers Private Ltd., are alarmed at the deterioration of the financial position of their company. They find that the overdraft is at the limit allowed by the bank and that they have no sufficient funds to pay their creditors on the due dates. They are at a loss to understand why, when their accounts show satisfactory profits, they should be short of funds.

You are given the balance sheets of the company as at 31st March,2005 and 2006.

You are required to prepare a statement which will show what has happened to the money which has come into the business during the year.

BALANCE SHEETS

31st March

	2005 Rs.		2006 Rs.	
Share capital :				
Shares of Rs. 10 each fully paid		5,00,000		5,00,000
Reserve and Surplus		30,000		40,000
Bank overdraft		80,000		3,00,000
Sundry Creditors		1,00,000		3,00,000
		7,10,000		11,40,000
Land & Buildings		1,50,000		2,50,000
Plant and Machinery		2,50,000		3,00,000
Less : Depreciation	60,000	1,90,000	90,000	2,10,000
Motor Vehicles		58,000		62,000
Less: Depreciation		28,00030,000		42,000 20,000
Stock		1,10,000		3,60,000
Sundry Creditors		2,30,000		3,00,000
		7,10,000		11,40,000

During the year a dividend of 10% was distributed to the shareholders
On 1st April, 2008 a motor van whose original cost was Rs. 10,000 and depreciated to a book value of Rs. 6,000 was sold for Rs. 8,000.
[Ans : Cash flow from : Operating Activities (Rs. 14,000), Investment activities (Rs.1,56,000), Financing Activities (Rs. 50,000)

40. From the following Balance sheets of Deva Ltd. as on 31st December 2019 and 2020 prepare:
   a) Schedule of changes in working capital
   b) Fund flow statement

Liabilities	**2019 (Rs.)**	**2020 (Rs.)**	**Assets**	**2019 (Rs.)**	**2020 (Rs.)**
Sundry creditors	10,00,000	10,30,000	Cash	16,00,000	17,76,000

Bills payable	2,00,000	2,50,000	Sundry debtors	4,00,000	7,40,000
Debentures	8,80,000	8,80,000	Stock of goods	6,00,000	6,88,000
Provision for depreciation	2,00,000	1,12,000	Land	1,60,000	1,60,000
Reserves and surplus	6,00,000	7,80,000	Building	8,00,000	6,40,000
Share capital	14,00,000	17,40,000	Plant and machinery	6,00,000	6,80,000
			Debenture discount	80,000	72,000
			Patents	40,000	36,000
	42,80,000	47,92,000		42,80,000	47,92,000

Additional information:

(i) Net profit for the year 2019 is Rs. 4,00,000.
(ii) Dividend paid Rs. 80,000.
(iii) Depreciation charged - Rs. 32,000.
(iv) The company issued equity shares for Rs. 2,00,000 bonus shares of Rs. 1,40,000.
(v) A building was sold for Rs. 56,000 the cost and book value being Rs. 1,60,000 and Rs. 40,000 respectively.

41. Prepare Funds flow statement for the year ended 31st December 2020

Particulars	**January 1**	**December 31**
Cash	2,000	1,800
B/R	17,500	19,200
Stock	12,500	11,000
Land	10,000	15,000
Building	25,000	27,500
Machinery	40,000	43,000
	1,07,000	1,17,500
Creditors	18,000	20,500

Loan	15,000	22,500
Capital	74,500	74,500
	1,07,000	1,17,500

Adjustments: Drawings was Rs. 13,000. Provision for depreciation was Rs. 13,500 at the beginning. It went upto 18,000 at the end.

42. From the following Balance sheets of Mr. William, prepare a cash flow statement:

Liabilities	**2019 (Rs.)**	**2020 (Rs.)**	**Assets**	**2019 (Rs.)**	**2020 (Rs.)**
Capital	5,00,000	6,12,000	Land and Building	3,00,000	4,40,000
Sundry Creditors	1,60,000	1,76,000	Plant and machinery	3,20,000	2,20,000
Mrs. W's loan	1,00,000	-	Stock	1,40,000	1,00,000
Loan from bank	1,60,000	2,00.000	Sundry debtors	1,20,000	2,00,000
			Cash	40,000	28,000
	9,20,000	9,88,000		9,20,000	9,88,000

Additional information:
A machine costing Rs. 40,000 (accumulated depreciation Rs. 12,000) was sold for Rs. 20,000. The provision for depreciation on 31-12-2019 was Rs. 1,00,000 and 31-12-2020 Rs. 1,60,000. Net profit for the year 2020 was Rs. 1,80,000.

43. From the following information Mamrash Co. Ltd.

	Amount in Rs.
Cost of goods sold	4,50,000
Net sales	6,00,000
Operating expenses	75,000
Closing stock	45,000
Cash in hand	10,000
Debtors	25,000

Cash at bank	50,000
Creditors	60,000
Short term loans	20,000
Long term loans	2,00,000
Reserves and surpluses	1,50,000
Equity capital	3,00,000

You are required to calculate following ratios:

a) Gross profit ratio
b) Net profit ratio
c) Stock turnover ratio
d) Debt equity ratio
e) Current ratio

44. From the following details, you are required to find out:

a) Gross profit
b) Purchases
c) Opening stock
d) Closing stock
e) Debtors
f) Creditors
g) Fixed assets

1. Stock velocity – 6 times
2. Capital turnover ratio (Cost of goods sold/Capital) – 2 times
3. Fixed assets turnover ratio (Cost of goods sold/Fixed assets) – 4 times
4. Gross profit ratio – 20%
5. Debtor's velocity – 2 months
6. Creditor's velocity – 73 days.

The Gross profit was Rs. 60,000. Reserves and surplus amount to Rs. 20,000. Closing stock was Rs. 5,000 in excess on opening stock.

45. The balance sheet of XYZ Ltd is given as under for year ending 31st March 2020.

Liabilities	Amount(Rs)	Assets	Amount(Rs)
Equity Share capital	3,00,000	Goodwill	2,00,000
Reserve Fund	1,50,000	Land & Building	3,00,000
8% Debentures	2,00,000	Plant & Machinery	2,50,000
Mortgage Loan	4,00,000	Patents	50,000

Sundry Creditors Bills Payable Bank Overdraft Outstanding Expenses Tax Liabilities	50,000 25,000 40,000 10,000 15,000	Stock Sundry Debtors Bills Receivables Marketable Securities Cash Balance Prepaid Expenses	1,50,000 1,00,000 80,000 18,000 40,000 2,000
	11,90,000		11,90,000

Purchases are Rs 3,00,000 and sales are Rs 5,00,000. From the information calculate:

a) Current Ratio
b) Inventory Turnover Ratio
c) Debtors Turnover Ratio
d) Average Payment Period
e) Acid test Ratio
f) Average Collection Period
g) Creditors Turnover Ratio

On the basis of the above analysis, comment on the cash management of the firm.

45. Following are the ratios of the trading activities of National Traders Ltd. Prepare Statement of Proprietary Funds with as many details as possible:

i. Debtors' Velocity 2 months

ii Stock Velocity 6

iii Creditors' Velocity 73days

iv Gross Profit Ratio 20%

v Capital Turnover Ratio (on Cost of Sales) 2

vi Fixed AssetsTurnover Ratio (on Cost of Sales) 4

Gross profit for the year ended 31st December,2022 amounts to Rs. 60,000. Closing stock was Rs. 5,000 in excess of opening stock. Reserves and Surplus amount to Rs. 20,000.

[Ans: Share Capital Rs. 1,00,000, Stock Rs. 42.500, Debtors Rs. 50,000, Creditors Rs. 49,000]

UNIT -II

I MULTIPLE CHOICE QUESTIONS:

1.What is budgetary control?
a) A financial statement
b) A management tool for planning and controlling finances
c) A tax calculation method
d) An audit technique
Ans. b

2.Which of the following is NOT a key component of budgetary control?
a) Budget creation
b) Budget execution
c) Budget analysis
d) Budget approval
Ans. d

3.What is the primary purpose of budgetary control?
a) Maximizing profits
b) Minimizing expenses
c) Controlling financial operations
d) Reducing taxes
Ans. c

4.Variance analysis in budgetary control is used to:
a) Create budgets
b) Determine budget constraints
c) Compare actual results with budgeted amounts
d) Set financial goals
Ans. c

5.A favorable variance in budgetary control indicates that:
a) Actual results are better than budgeted results
b) Actual results are worse than budgeted results
c) There is no difference between actual and budgeted results
d) The budget needs to be revised
Ans. a

6.Which type of budget focuses on the expected cash inflows and outflows of an organization?
a) Operating budget
b) Capital budget
c) Cash budget
d) Sales budget
Ans. c

7.Who is responsible for preparing departmental budgets in a large organization?
a) CEO
b) CFO
c) Department managers
d) External auditors
Ans. c

8.Which of the following is an external factor that can impact budgetary control?
a) Employee performance
b) Economic conditions
c) Budgetary allocations
d) Cost control measures
Ans. b

9.What is the primary benefit of budgetary control for an organization?
a) Increasing employee morale
b) Reducing the need for financial reporting
c) Ensuring compliance with tax regulations
d) Improving financial performance and planning
Ans. d

10.Calculate the production budget from the following data: sales 89,350 units; opening inventory 23,864 units; closing inventory 33,156 units.

a) 80,058 units
b) 1,46,370 units
c) 32,320 units
d) 98,642 units

Ans: (d)

11.Fixed budget is useless for comparison when the level of activity -

a) Increases
b) Fluctuates both ways
c) Decreases
d) Constant

Ans: (b)

12.The budget committee consists of -

a) Managers
b) Budget officers
c) Creditors
d) None of the above

Ans: (b)

13.A budget centre is -

a) Department or part of the department
b) Meeting place for budget committee
c) Office of the budget officer
d) None of the above

Ans: (a)

14.The main objective of budgetary control is -

a) To define the goal of the firm
b) To coordinate different departments
c) To plan to achieve its goals
d) All of the above

Ans: (c)

15.Production budget is -

a) Dependent on purchase budget
b) Dependent on sales budget
c) Dependent on cash budget
d) None of the above

Ans: (b)

16.Sales budget shows the sales details as -

a) Month wise
b) Product wise
c) Area wise
d) All of the above

Ans: (d)

17.An example of long period budget is -

a) R & D budget
b) Master budget
c) Sales budget
d) Personnel budget

Ans: (a)

18.The budgets are classified on the basis of -

a) Time
b) Function
c) Flexibility
d) All of the above

Ans: (d)

19.Budget relating to the key factor is prepared -

a) After other budgets
b) With other budgets
c) Before other budgets
d) None of the above

Ans: (c)

20.Key factor is also known as -

a) Limiting factor
b) Governing factor
c) Principal factor
d) All of the above

Ans: (d)

21. What is standard costing?
a) A financial statement
b) A method of cost control and performance evaluation
c) A type of auditing procedure
d) A tax calculation method
Ans: (b)

22.Which of the following is a key feature of standard costing?
a) Historical cost analysis
b) Using actual costs for all products
c) Comparing actual costs with predetermined standards
d) Ignoring cost variances
Ans: (c)

23.In standard costing, what are "standard costs"?
a) Costs incurred in the past
b) Expected or budgeted costs for a specific level of activity
c) Costs that are always constant and do not change
d) Costs that vary randomly over time
Ans: (b)

24.What is a favorable cost variance in standard costing?
a) When actual costs exceed standard costs
b) When actual costs match standard costs
c) When actual costs are lower than standard costs
d) When actual costs are unrelated to standard costs
Ans: (c)

25.Which of the following variances is associated with the difference between actual and standard quantities of materials used?
a) Material price variance
b) Material usage variance
c) Labor rate variance
d) Labor efficiency variance
Ans: (b)

26. What is material variance in cost accounting?

a) The difference between actual material usage and standard material usage.
b) The difference between actual material price and standard material price.
c) The difference between actual material cost and standard material cost.
d) The difference between actual material quantity and standard material quantity.

Ans: c)

27. What is the formula for calculating material cost variance?

a) (Actual Quantity x Standard Price) - (Actual Quantity x Actual Price)
b) (Actual Quantity x Actual Price) - (Standard Quantity x Standard Price)
c) (Standard Quantity x Actual Price) - (Actual Quantity x Standard Price)
d) (Standard Price x Standard Quantity) - (Actual Price x Actual Quantity)

Ans : b)

28. What does a favorable material price variance indicate?

a) Materials were purchased at a lower cost than expected.
b) Materials were purchased at a higher cost than expected.
c) Materials were used more efficiently than expected.
d) Materials were used less efficiently than expected.

Ans:a)

29. What does an unfavorable material usage variance suggest?

a) Materials were purchased at a higher cost than expected.
b) Materials were purchased at a lower cost than expected.
c) Materials were used more efficiently than expected.
d) Materials were used less efficiently than expected.

Ans: d)

30. What is the primary purpose of analyzing material variances in cost accounting?

a) To identify variances in labor costs.
b) To evaluate the efficiency of machine usage.
c) To assess the efficiency and cost-effectiveness of material usage.

d) To calculate overhead costs.

Ans: c)

31. What is labour rate variance in cost accounting?

a) The difference between actual hours worked and standard hours allowed.
b) The difference between actual labour cost per hour and standard labour cost per hour.
c) The difference between actual labour cost and standard labour cost.
d) The difference between actual labour hours and standard labour hours.

Ans: b)

32. What does a favorable labour efficiency variance indicate?

a) Labour was paid at a lower rate than expected.
b) Labour was paid at a higher rate than expected.
c) Less labour time was used than expected.
d) More labour time was used than expected.

Ans:c)

33. What does an unfavorable labour rate variance suggest?

a) Labour was paid at a lower rate than expected.
b) Labour was paid at a higher rate than expected.
c) Less labour time was used than expected.
d) More labour time was used than expected.

Ans: b)

34. Which variance is calculated by comparing the actual hours worked by employees with the standard hours allowed for actual production?

a) Labor cost variance
b) Labor rate variance
c) Labor efficiency variance
d) Labor mix variance

Ans : c)

35. When a favorable variance occurs in a cost category, which of the following actions is typically taken?

a) Investigate the causes and make necessary adjustments.
b) Ignore the variance, as it is not significant.
c) Celebrate the achievement without further analysis.
d) Increase the budget for that cost category.

Ans:a)

36. What is overhead cost variance in cost accounting?

a) The difference between actual overhead costs and standard overhead costs.
b) The difference between actual labor costs and standard labor costs.
c) The difference between actual material costs and standard material costs.
d) The difference between actual production output and standard production output.

Ans:a)

37.Volume variance arises when
a). There is rise in overhead rate per hour
b). There is decline in overhead rate per hour
c). There is decrease or increase in actual output compared to the budgeted output
d). None of the above
Ans:c)

38. The corrective actions after the analysis of variances has to be taken by
a. Cost accountant
b. Management
c. Both a and b
d. None of the above
Ans:b)

39. Sales margin variance due to sales quantities is measured as
a. Standard profit - Revised standard profit
b. Revised standard profit - Budgeted profit
c. Standard profit + Revised standard profit
d. Revised standard profit + Budgeted profit
Ans:b

40. .Which of the following statements are true about labour idle time?
a. Labour idle time variance is not caused by non-availability of raw material
b. Labour idle time variance is measured as : Abnormal idle hours * Actual hourly rate
c. Labour idle time variance is always unfavorable or adverse
d. All of the above
Ans:c

II SHORT ANSWER TYPE QUESTIONS:

1. Define ‘budget’ and ‘budgetary control’. State the advantages of budgetary control in an organisation.
2. What are the main steps in budgetary control? State the main objectives of budgetary control.
3. Discuss the various preliminaries required for adoption as system of budgetary control.
4. Give an organisation chart for budgetary control and discuss its importance.
5. What is budget centre? Is it desirable to prepare a budget for each budget centre?
6. Discuss the nature and functions of a budget committee.

7. What is budget manual? Mention the contents and advantages of such a manual.
8. What is meant by the term ‘Flexible Budget’? How is it prepared?
9. Define Master Budget and enumerate the advantages of it?
10. What are budget manuals?
11. What is cash budget? What are objectives?
12. What is the difference between Performance Budget and Programme Budget? What are the special areas of application of Programme Budgeting?
13. What is Sales Budget? How it is prepared?
14. State the importance of ‘Budget Key Factor’.
15. State the limitations of budgetary control system.
16. What is standard time? Explain how standard time is defined?
17. List four major use of standard Costs.
18. Which accounting plan of standard costing helps to convert standards into actuals by using the ratios.
19. “Standards Costs being Future Costs or Relevant Costs”. Do you agree? Explain fully.
20. Point out the difference between Historical Costing and Standard Costing.
21. Explain overhead variances (Two-way)
22. Distinguish between ‘Estimated Cost’ and Standard Cost’.
23. Explain ‘Flexible Budget’?
24. Explain Fixed Budget?
25. Differenciate between Flexible Budget’ & Fixed Budget ?
26. explain the advantages and limitations of standard costing.
27. Explain the limitations of Budgetary control?
28. Explain the objectives of budgetary control with special reference to a large manufacturing concern.
29. What is zero based budgeting and highlight its procedure, norms and superiority over functional budgeting?
30. Briefly state the circumstances in which flexible budgets are used.
31. Define the term ‘Standard cosying’. Explain with reasons why an industrial concern should introduce standard costing system?
32. How is a favorable variance different from an unfavorable variance?
33. Why is variance analysis important for businesses?
34. What are the limitations or challenges of using variance analysis as a management tool?
35. How can variance analysis help in decision-making within an organization?

III LONG ANSWER TYPE QUESTIONS

1. What do you understand by “Budgeting”? Mention the types of budget that management of a big industrial concern would normally prepare.
2. Define budget, budgeting and budgetary control. State its objectives. Explain the process by which various budgets are prepared.
3. What is the meaning of variances and variance analysis?
4. Explain the concept of budgetary control in detail, highlighting its key components, objectives, and the steps involved in the budgetary control process.
5. What are the primary objectives of implementing budgetary control in an organization?
6. How does budgetary control facilitate resource allocation within an organization?
7. Outline a plan for Sales Budget and Purchase Budget. What considerations are necessary in the preparation of such budgets?
8. Explain ‘Flexible Budget’ and Fixed Budget.
9. “Flexible Budgets are more realistic and useful than fixed budgets.” Do you agree? Explain.

10. Mr. Managing Director is surprised that his profit every year is quite different from what he wants or expects to achieve. Someone advised him to install a formal system of budgeting. He employs a fresh accountant to do this. For two years, the accountant faithfully makes all budgets on previous year's accounts. The problems remain unsolved. Mr. Managing Director and the Accountant on what steps they should take. Make assumption about what is lacking.
11. Explain the main steps in Budgetary Control with reference to manufacturing-cum-selling enterprise.
12. Explain briefly the advantages and limitations of Standard costing. In what ways does it differ from budgetary control?
13. What factors should be considered in setting (a) Material Price Standard (b) Material Usage Standard (c) Labour Rate Standard (d) Labour Time Standard.
14. "A firm can avoid standard costing but, of course, at its own peril". Elucidate it and explain the advantages and limitations of standard costing.
15. Explain the distinction between cost control and cost reduction. Enumerate some of the important tools/techniques of cost reduction and cost control.
16. Are you in agreement with the view that Budgeting should better be called Profit Planning and Control.
17. "Why do responsible people in an organisation agree to accept budgetary control in theory but resists in practice"? Explain.
18. "If the Sales forecast is subject to error then there is no basis of budgeting." Do you agree? Also explain how flexible budget can be used to help control cost.
19. Explain the concept of sales variances in detail. What are the key components of sales variances, and how do they impact a company's financial performance?
20. Discuss the significance of sales variances in the context of performance evaluation and decision-making within an organization. Provide examples of how sales variances can inform managerial actions.

Functional budgets

21. Prepare a Material Budget of Ab C. Ltd.., based on the following information. The production order of the product show the following consumption:

(i) Consumption for the batch of 1,000 units of

Material No.	Rate per kg	Products A	Products B
	Rs.	Kg.	Kg.
11	60	50	80
13	60	10	5
16	10		30
17	50	6	30
18	5	4	4
	Total	70	129

(ii) Production (units) Product A 1,000 units
Product B 11,000 units

[Ans: Material No:	11	13	16	17	18
Qty. (Kg)	1,480	175	330	18	92

Amt. (Rs) 88,800 10,500 3,300 9,100 300]

22. Draw a Material procurement Budget (Quantative) From the following information: Estimated sales of a product 40,000 units. Each unit of the product requires 3 units of material A and 5 units of material B.

Estimated opening balances at the commencement of the next year:

Finished products	5000 units
Material A	120000 units
Material B	200000 units
Materials on order:	
Material A	7000 units
Material B	11,000 units
The desirable closing balance at the end of next year	
Finished products	7,000 units
Material A	150000 units
Material B	250000
Material on order:	
Material A	8000 units
Material B	10,000 units

23. Production cost of a factory for a year is as follows:

Direct wages	Rs. 80,000
Direct materials	1,20,000
Production Overheads, Fixed	40,000
Production Overheads, variables	60,000

During the forthcoming year it is anticipated:

(a) That average rate for direct labour remuneration will fail from Rs. 3 per hour to Rs. 50 per hour;

(b) Production efficiency will remain unchanged;

(c) Direct labour hours will increase by 331/3%.

The purchase price per unit of direct material and of the other materials and services which comprise overheads will remain unchanged.

Draw a budget and computer a factory overhead rate, the overhead being absorbed on a direct wage basis.

[Ans: cost of production Rs.308889, production overheads rate of 113.5%.]

24. A company is a manufacturing two products X and Y. A forecast labour the number of units to be sold in the first seven months is given below:

Month	Product X	Product T
January	10000	280000
February	12000	28000
March	16000	24000
April	20000	20000
may	24000	16000
June	24000	16000
July	20000	18000

Its is anticipated that

(i) There will be on work-in-progress at the end of any month;

(ii) Finished units equal to half the sales for the next month will be in stock at the end of each month (including December, of the previous year)

Budget production some production costs for the year ending 31st December are as follows"

	Product x	Product y
Production (Units)	2,20,000	2,40,000
Direct material per unit	Rs. 12.5	19
Direct wages per unit	4.5	7
Total factory overheads for each type of products (Variable)	6,60,000	9,60,000

Prepare for 6 months ending 30thJune a production budget and summarized cost of production budget and summarized cost of production budget.

[Ans:	Jan	Feb	March	April	May	June
x	11000	14000	18000	22000	24000	22000 units
y	28000	26000	22000	18000	16000	17000 units

(b) 50 per cent of credit sales is realized in the month following the sale and the remaining 50 per cent in the second month following. Creditors are paid In the month following the month of purchase.

(c) Cash at bank on 1st April (estimated). Rs. 25000.

[Ans: Closing balance (Overdraft)	April	May	June
	Rs. 56000	(47000)	(167000)

25. Texas manufacturing Company Ltd. Is to start production on 1stJanuary, 1998. The prime cost of a unit is expected to be Rs. 40 out of which Rs. 16 is for materials and

Rs.24 for labour. In Addition, variable expenses per unit are expected to be Rs. 8, and fixed expenses per month Rs. 30,000. Payment for material is to be made in the month following the purchase. One-third of sales will be for cash and the rest on credit for settlement in the following month. Expenses are payable in the month in which they are incurred.

The selling price is fixed at Rs. 80 per unit. The number of units manufactured and sold are expected to be as under:

January	900	May	2100
February	1200	May	2100
March	1800	June	2400

Draw up a statement showing requirements of working capital from month to month, ignoring the question of stocks.

[Ans: Cumulative	Jan	Feb	March	April	May	June
Surplus	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(Cash required)	(34800)	(37600)	(32400)	(6400)	(30800)	(66400)
[Hint: Prepare a Cash Budget.]						

26. ABC Ltd., a newly started company, wishes to prepare wash budget from January. Prepare a cash budget for the first six months from the following estimated revenue and expenses.

				Overheads	
Months	Total sales	Materials	Wages	Production	Selling & Distribution
	Rs.	Rs.	Rs.	Rs.	Rs.
January	20000	20000	4000	3200	800
February	22000	14000	4400	3300	900
March	28000	14000	4600	3400	900
April	36000	22000	4600	3400	900
May	30000	20000	4000	3200	900
June	40000	25000	5000	3600	1200

Cash balance on 1st January was Rs. 10000. A new machinery is to be installed at Rs. 20000 on credit, to be paid by two equal instalments in March and April.

Sales commission @5% on total sales is to be paid within a month following actual sales.
Rs. 10000 being the amount on 2nd call may be received in March. Share premium amounting to Rs. 2,000 is also obtainable with the 2nd call.

Period of credit allowed by supplier	:	2 months
Period of credit allowed to customers	:	1 Month
Delay in payment of overheads	:	1 month
Delay in payment of wages	:	½ month

[Ans: Closing cash balance January Rs. 18,000; Feb. Rs. 29,800; March Rs. 27,000; April Rs. 24,700, may Rs. 33,100 and juneRs.36,000]

27. Prepare a cash budget for M/S Alpha Manufacturing Company on the basis of the following information for the first six months of 1991.

(1) Costs and Price remain unchanged.
(2) Cash sales are 25% and credit sales are 75% of total sales.
(3) 60% of credit sales are collected in the month after sales, 30% in the second month and 10% in the third, no bad debts are anticipated.
(4) Sales forecasts are as follows:

		Rs.			Rs.
October,	1990	1200000	March,	1991	800000
November,	1990	1400000	April,	1991	1200000
December,	1990	1600000	May,	1991	1000000
January,	1991	600000	June,	1991	800000
February,	1991	800000	July,	1991	1200000

(5) Gross profit margin 20%.
(6) Anticipated Purchases:

January,	1991	640000	April,	1991	800000
February,	1991	640000	May,	1991	640000
March	191	960000	June,	1991	960000

(7) Wages and salaries to be paid for 1991:

January,		120000	April,		200000
February,		160000	May,		160000
March		200000	June,		140000

(8) Interest on Rs. 2000000 @ 6 % on debentures is due by end of March and June.
(9) Excise deposit due in April Rs. 2,00,000.
(10) Capital Expenditure on plant and machinery planned for June Rs. 120000.
(11) Company has a cash balance of Rs. 400000 at 31.12.1990.
(12) Company can borrow on monthly basis.

(13) Rent is Rs. 8,000 per month.

[Ans: Cash balance at the close of month: Jan Rs. 907000, Feb. Rs. 1034000, March Rs. 651000, April Rs. 400000, May Rs. 550000, June Rs. 400000.]

Flexible Budgets

28. Draw up a flexible budget for overheads expenses on the basis of the following data and determine the overhead rate at 70 %, 80% and 90% plan capacity.

	Capacity Levels		
	70%	80%	90%
Variable overheads:	Rs.	Rs.	Rs.
Indirect Labour	-----	12000	------
Stores including spares	-----	4000	------
Semi-variable Overheads:			
Power (30% fixed, 70% variable)	-----	20000	------
Repairs and maintenance (60% fixed,40% variable)	-------	2000	------
Fixed overheads:			
Depreciation	------	11000	------
Insurance	------	3000	------
Salaries	------	10000	------
Total overheads	-------	62000	------
Estimated direct labour hours	-------	124000 Hrs.	-----

[Ans : Total overheads at 70% capacity Rs. 58150; at 80% capacity Rs. 62000 at 90% capacity Rs, 65850; Direct labour hour rate Re. 0.536; Re. 0.500 and Re. 0.472 respectively.]

29. For production of 10,000 electrical automatic irons the following are the budgeted expenses:

	Per unit
Direct material	Rs. 60

Direct labour	30
Variable overheads	25
Fixed overheads (Rs. 150000)	15
Variable expenses	5
Administration expenses (Rs. 50000 rigid for all levels of production)	5
Distribution expenses(20% fixed)	5
Total cost of sale per unit	160

Prepare a budget for production of 6000,7000 and 8000 irons showing distinctly marginal Cost Rs. 825000; Rs. 962500 and Rs. 1100000 respectively. Total cost Rs. 1050000, Rs. 1187500 and Rs. 1325000 respectively.]
[Hint: Marginal cost means variable cost.]

30. ABC Limited have prepared the budget for the production of a lakh units of the only commodity manufactured by them for a costing period as under:

Raw materials	Rs. 2.52 per unit
Direct wages	0.75 per unit
Direct expenses	0.10 per unit
Works Overheads (60 % fixed)	2.50 per unit
Administration overheads (80% fixed)	0.40 per unit
Selling overheads (50% fixed)	0.20 per unit

The actual production during the period was only 60000 units. Calculate the revised budgeted cost per unit.
[Ans: Cost of Sales: Original Rs. 647000; Revised Rs.465000.]

31. The following data are available in a manufacturing company for a half-yearly period;

Fixed expenses:	(Rs. In lakhs)	(Rs. In lakhs)
Wages and Salaries	8.4	
Rent, Rates and Taxes	5.6	
Depreciation	7.0	
Sundry Administration Expenses	8.9	29.9
Semi-variable Expenses:		
(At 50% of capacity)		
Maintenance and Repairs	2.5	
Indirect labour	9.9	
Sales department salaries etc:	2.9	
Sundry administration expenses	2.6	17.9
Variable Expenses		
(at 50% of capacity)		
Material	24.0	

Labour	25.0	
Other Expenses	3.8	53.4

Assume that the fixed expenses remain constant for all levels of production, semi-variable expenses remain constant between 45% and 65 % capacity, increasing by 10% between 65% & 80 capacity, and by 20% between 80% and 100% capacity.

Sales at the various levels are:	(Rs. In lakhs)
60% Capacity	100.00
75% Capacity	120.00
90% Capacity	150.00
100% Capacity	170.00

Prepare a flexible budget for the half-year and forecast the profit at 60%,75%,90% and 100% capacity levels, respectively.]

Direct Material Variances

32. A Manufacturing concern which has adopted standard costing furnishes the following information:

Standard:	
Material for 70kg of furnished products	100kg
Price of material	Re. 1 per kg.
Actual:	
Output	210000 kg.
Material used	280000 kg.
Cost of material	252000
Calculate:	

(a) Material usage variance (b) material price variance, and (c) material cost variance. [Ans(a) Rs. 20000(F);(b)Rs. 28000(F);(c)48000(F)]

33. Given that the cost standard for material consumption are 40kg. @ Rs. 10 per kg., compute the variance when actuals are :
(a) 48 kg at Rs. 10 per kg.
(b) 40kg at Rs. 12 per kg.
(c) 48kg at Rs. 12 per kg.
(d) 36kg for a total cost of Rs. 360

[Ans(a) (i) DMPV Nil,(ii) DMUV Rs.80(A); (b)(i)DMPV Rs.80(A),(ii) DMUV Nil,(c)(i)DMPV Rs. 96(A),(ii)DMUV Rs.80(A);(d) (i)DMPV Nil, (ii) DMUV Rs. 40 (F)]

34. The standard material cost for 100 kg. of Chemical D is made up of:
Chemical A—30kg.@ Rs. 4.00
Chemical B—40kg. @ Rs.5.00 per kg., and
Chemical C—80kg. @ Rs.6.00 per kg.

In a batch, 500kg.of Chemical D were produced from a mix of
Chemical A--- 140kg at a cost of Rs. 588
Chemical B---220kg at a cost of Rs.1056, and
Chemical C---440 kg at a cost Rs. 2860.
How do the yield, mix and price factors contribute to the variance in actual cost per 100 kg of chemical D over the standard cost?
[Ans:DMCV Rs. 40.80 (A), DMMV Rs. 16.67(A),DMYVRs. 53.33(A)]

35. Mixer Ltd. Is engaged in producing a 'standard mix' using 60kg of chemical X and 40 kg of chemical Y. the standard loss of production is 30%. The standard price of X is Rs. 5 per kg and Y is Rs. 10 per kg.
The actual mixture and yield were as follows:
X 80Kg.@ Rs. 4.50 per kg.
Y 70kg. @ Rs. 8.00 per kg.
Actual yield 115 kg.
Calculate material Variance (price, usage, yield, mix)
[Ans: Price Variance Rs. 180(F), Usage Variance Rs. 50(A)yield variance Rs. 100 (F), Mix Variance Rs. 50 (A)]

36. From the following information, Calculate the variances.

	Standard			Actual		
Material	Quantity Kg.	Rate Per kg.	Total Rs	Quantity Kg.	Rate Per kg.	total
X	60	3	180	50	3	150
Y	40	6	240	35	6	210
	100			85		
Less: Normal				Loss 7		
Loss	10					
	90		420	78		360

[Ans: DMCV Rs.4 (F),DMPV Nil, DMMV Rs. 3 (F), DMYV Rs. 7 (F)]

37. Following are the particulars in respect of a product where two types of materials A and B are to be used.

Material Input	Standard		Actual	
	Tonnes Rs.	Rate	Tonnes Rs.	Rate
A	120	10.00	140	9.50
B	80	7.50	60	9.00
	200		200	
Less	20		18	
Net production	180		182	

You are required to calculate:
(a) Material price Variance,

(b) Material Mix Variance and
(c) Material Yield Variance.
[Ans: (a)Rs. 20(A),(b) Rs. 50(A),(c) Rs. 20(F)]

38. The details regarding the composition and the weekly wage rate of labour forces engaged on a job scheduled to be completed in 30 weeks are as under:

Category of workers	Standard		Actual	
	No. of labourers	Weekly wage rate per labourer(Rs.)	No. of labourer	Weekly wage rate per labourer (Rs.)
Skilled	75	60	70	70
Semi-skilled	45	40	30	50
Unskilled	60	30	80	20

The work is actually completed in 32 weeks. Calculate the various labour variances.

[Ans: labour cost variance Rs. 13,000 (A); Labour Rate variance Rs. 6400(A); Labour Efficiency Variance Rs. 6,600 (A); Labour Mix Variance Rs. 9,600 (F); Revised Labour Efficiency Variance Rs. 16,200(A)].

39.

	Kg.		Total Rs.	Kg.		Total Rs.
Input	500	Material @Rs. 39 per kg. Labour 4,000 hrs. @Rs. 1.50 per hour	19500 6,000	500	Material @42 per kg. per kg. Labour 4,000 hrs@1.50 per hour	21,000 6,000
Normal Loss	20		______	40		_______
Output	480		25500	460	Actual Loss	27,000

Calculate:
(i) Material Cost Variance
(ii) Material Price Variance
(iii) Material Yield Variance
(iv) Labour Cost Variance
(v) Labour Price Variance
(vi) Labour Yield Variance
[Ans: (i)Rs. 2312.50 (A), (ii)Rs.1500(A), (iii)Rs.812.50(A), (iv)Rs.250(A), (v)Rs. Nil, (vi)Rs.250(A)].

40. For one unit of product A, the standard data are given below:

Material :	Rs.
5 kg. @ Rs. 40 per kg.	200
Labour:	
40 hrs. @Rs. 1.00 per hour	40_
	240
Actual data:	
Actual Production : 100 units	
Material 490kgs. @ Rs. 42 each	20,580
Labour 3,960 hours @RS. 1.10 per hour	4,356
Calculate Variances	24,936

[Ans: (a) Material: (i) Cost Rs.580(A),(ii)Price Rs. 980(A), (iii) Usage Rs. 400(F);(b) labour;(i)Cost Rs.356(A), (ii) Rate Rs. 396(A), (iii) Efficiently Rs. 40 (F)].

Overhead Variances

41. From the following data, calculate fixed overheads expenditure and volume variance:

Fixed overheads Budget for November	Rs. 10,000
Budgeted production for the month	50,000 units
Actual production for the month	54,000 units
Actual fixed overhead incurred	Rs. 1,20,000

[Ans: Volume Variance Rs. 8,000 (F); Expenditure Variances Rs. 20,000 (A)]

42. Find out variable overheads variance from the following:
Budgeted variable overhead for January Rs. 8,000.
Budgeted production for the month 500 units.
Standard variable for one unit of production 10 hours.
Actual variable overheads Rs. 6,600.
Actual production for the month 400 units.
[Ans: Cost Rs. 200 (A) Expenditures. 520(A), Efficiency Rs. 320 (F)].

43. Make a cash budget for April-June 2021 from the following information:

(1) Actual and Budget sales

	Actual (Rs.)		**Budgeted (Rs.)**
January	80,000	April	90,000
February	80,000	May	85,000
March	75,000	June	80,000

(2) Actual and Budgeted purchases

	Actual (Rs.)		**Budgeted (Rs.)**
January	43,000	April	50,000

February	40,000	May	45,000
March	42,000	June	35,000

(3) Actual and Budgeted wages and expenses

	Actual wages (Rs.)	**Budgeted expenses**		**Actual wages (Rs.)**	**Budgeted expenses**
January	20,000	5,000	April	24,000	7,000
February	18,000	6,000	May	20,000	6,000
March	22,000	6,000	June	18,000	5,000

(4) Special: Advance income tax in May Rs. 4,000, Plant in April Rs. 10,000.
(5) Rent Rs. 300 payable each month, not included in expenses.
(6) 10% of purchases and sales are on cash terms.
(7) Credit purchases are paid after 1 month and credit sales are collected after two months. Time in wages and expenses: ½ month.
(8) Cash and bank balance on April 1, Rs. 13,000.

(Ans: April – Rs. 94,000, May – Rs. 87,400, June – Rs. 94,100)

44. A flexible budget at 60%, 80% and 100% production capacity is to be prepared from the following information relating to the productive activities of Zenith Engineering Company Limited, Bombay for the three months ended 31st December, 2020:

	Rs.
Fixed expenses:	
Management salaries	42,000
Rent and taxes	28,000
Depreciation on machinery	35,000
Sundry office cost	44,500
	1,49,500
Semi-variable expenses at 50% capacity:	
Plant maintenance	12,500
Indirect labor	49,500

Salesmen's salaries and expenses	14,500
Sundry expenses	13,000
	89,500
Variable expenses at 50% capacity:	
Materials	1,20,000
Labor	1,28,000
Salesmen's commission	19,000
	2,67,000

Semi-variable expenses remain constant between 40% and 70% capacity, increase by 10% of the above figures between 70% and 85% capacity and increase by 15% of the above figures between 85% and 100% capacity. Fixed expenses remain constant whatever the level of activity. Sales at 60% capacity are Rs. 5,10,000, at 80% capacity Rs. 6,80,000 and at 100% capacity Rs. 8,50,000.
It is assumed that all items produced are sold.

(**Ans:** Profit – at 60% Rs. 49,400, at 80% Rs. 4,850, at 100% Rs. 63,575)

45. Standard material cost for 100 kg of product 'X' is made up of:

Material	Quantity (kg)	Price (Rs.)	Amount (Rs.)
A	30	4	120
B	40	5	200
C	80	6	480

In a batch, 500 kg of product 'X' were produced from a mix of:

Material	Quantity (kg)	Price (Rs.)	Amount (Rs.)
A	140	4.20	588
B	220	4.80	1,056
C	440	6.50	2,860

How do price mix and yield factors contribute to the variance in the actual cost of product 'X' over the standard cost?

(Ans: Material mix variance – A 160 kg, B 213.33 kg, C 426.67 kg, Material Yield variance -267.67)

46. Calculate labor variances from the following information:

Labor rate – Re. 1 per hour
Hours as Standard per unit – 12 hours
Actual data:
Units produced – 1,000
Actual labor cost – Rs. 10,000
Hours worked actually – 12,500 hours

(Ans: Labor cost variance – Rs. 2,000, Labor Rate variance – Rs. 2,500, Labor efficiency variance – Rs. 500)

47. The standard mix of product 'X' is as follows:

Material	**Quantity (kg)**	**Price (per kg)**
A	50	5
B	20	4
C	30	10

The Standard loss in production is 10% of input. There is no scrap value. Actual production for a month was Rs. 7,240 kg of X from 80 mixes. Actual consumption during the month were:

Material	**Quantity (kg)**	**Price (per kg)**
A	4,160	5.50
B	1,680	3.75
C	2,560	9.50
	8,400	

Calculate material variances.

(Ans: SQ for Actual output – A 4,022.22 kg, B 1,608.89 kg, C 2,413.33 kg, Material Cost Variance – 2,820 (Adv.), Material Price Variance – 380 (Adv.), Material Usage Variance – Rs. 2,440.1 (Adv.), Material Mix Variance – A Rs. 200, B Nil, C Rs. 400 (Adv.), Material Yield Variance – Rs. 2,240 (Adv.)

UNIT-III

I MULTIPLE CHOICE QUESTION

1.What is marginal costing?
a) A cost allocation method
b) A method of pricing products
c) A method of costing inventory
d) A cost accounting technique for analyzing the impact of variable costs on profit

Ans:d)

2.In marginal costing, which costs are treated as product costs?
a) Fixed manufacturing overhead
b) Variable manufacturing costs
c) Selling and administrative expenses
d) Both A and B

Ans:b)

3.What is the contribution margin ratio?
a) The ratio of fixed costs to variable costs
b) The ratio of contribution margin to total sales
c) The ratio of total costs to total sales
d) The ratio of sales revenue to fixed costs

Ans:b)

4.Which of the following formulas is used to calculate contribution margin?
a) Contribution Margin = Sales Revenue - Total Costs
b) Contribution Margin = Sales Revenue - Variable Costs
c) Contribution Margin = Total Costs - Variable Costs
d) Contribution Margin = Sales Revenue / Variable Costs

Ans: b)
5.If the selling price per unit is $20, and the variable cost per unit is $8, what is the contribution margin per unit?
a) $20
b) $12
c) $8
d) $28

Ans:b)

6.In marginal costing, which of the following is true regarding fixed costs?
a) Fixed costs are not considered in the calculation of contribution margin.
b) Fixed costs are directly subtracted from sales to determine profit.
c) Fixed costs are treated as period costs.
d) Fixed costs vary with the level of production.

Ans:a)

7.What is the break-even point in terms of sales revenue?

a) The point at which profit becomes zero
b) The point at which total costs equal total sales revenue
c) The point at which variable costs equal fixed costs
d) The point at which contribution margin equals zero

Ans:b)

8.What happens to the break-even point if variable costs per unit increase?
a) It decreases
b) It remains the same
c) It increases
d) It becomes negative

Ans:c)

9.What is the margin of safety?
a) The difference between actual profit and budgeted profit
b) The amount by which sales can drop before incurring a loss
c) The difference between fixed costs and variable costs
d) The additional profit earned above the break-even point

Ans:b)

10.In marginal costing, which of the following is considered a period cost?
a) Direct labor
b) Direct materials
c) Variable manufacturing overhead
d) Selling and administrative expenses

Ans:d)

11.Which statement is true regarding the variable cost ratio?
a) It is equal to 100% minus the contribution margin ratio.
b) It is equal to the contribution margin ratio.
c) It is equal to the gross profit ratio.
d) It is equal to the fixed cost ratio.

Ans:a)

12.What is the formula to calculate the break-even point in units?
a) Break-even point (in units) = Total Fixed Costs / Selling Price per Unit
b) Break-even point (in units) = Total Fixed Costs / Contribution Margin per Unit
c) Break-even point (in units) = Total Variable Costs / Contribution Margin Ratio
d) Break-even point (in units) = Total Sales Revenue / Total Variable Costs

Ans:b)

13.Which of the following statements is true regarding contribution margin?
a) Contribution margin is the same as gross profit.

b) Contribution margin is the profit remaining after variable costs are deducted from sales revenue.
c) Contribution margin includes all costs, both variable and fixed.
d) Contribution margin is always negative.

Ans:b)

14.What is the main objective of using marginal costing in decision-making?
a) To maximize fixed costs
b) To minimize variable costs
c) To maximize contribution margin
d) To minimize total costs

Ans:c)

15.In a make-or-buy decision, which cost is relevant for analysis?
a) Sunk costs
b) Variable manufacturing costs
c) Fixed manufacturing costs
d) Historical costs

Ans:b)

16.What is the formula to calculate the margin of safety ratio?
a) Margin of Safety Ratio = (Sales - Break-even Sales) / Sales
b) Margin of Safety Ratio = Break-even Sales / Sales
c) Margin of Safety Ratio = (Sales - Break-even Sales) / Break-even Sales
d) Margin of Safety Ratio = Gross Profit / Sales

Ans:a)

17.Which of the following decisions would not be influenced by marginal costing analysis?
a) Pricing decisions
b) Product discontinuation decisions
c) Make-or-buy decisions
d) Inventory valuation decisions

Ans:d)

18.What is the formula to calculate the net profit under marginal costing?
a) Net Profit = Total Sales - Total Costs
b) Net Profit = Total Sales - Variable Costs - Fixed Costs
c) Net Profit = Gross Profit - Fixed Costs
d) Net Profit = Gross Profit - Variable Costs

Ans:b)

19.What does the term "marginal" in marginal costing refer to?
a) The difference between total costs and variable costs

b) The additional cost of producing one more unit
c) The total cost of production
d) The total sales revenue

Ans:b)

20.Which of the following is true regarding the treatment of fixed costs in marginal costing?
a) Fixed costs are fully allocated to products.
b) Fixed costs are considered irrelevant.
c) Fixed costs are treated as period costs.
d) Fixed costs are included in the calculation of contribution margin.

Ans:c)

21.In a break-even analysis, what is the contribution margin per unit equal to?
a) The selling price per unit
b) The variable cost per unit
c) The fixed cost per unit
d) The total cost per unit

Ans:b)

22.Which of the following factors can affect the break-even point?
a) Changes in variable costs per unit
b) Changes in total fixed costs
c) Changes in selling prices
d) All of the above

Ans:d)

23.If a company's total fixed costs decrease, what will happen to the break-even point in terms of sales revenue?
a) It will increase
b) It will remain the same
c) It will decrease
d) It will become negative

Ans:c)

24.In a decision to accept a special order at a lower price, which cost is considered relevant for analysis?
a) Sunk costs
b) Variable manufacturing costs
c) Fixed manufacturing costs
d) Historical costs

Ans b)

25.What is the formula to calculate the break-even point in sales revenue?
a) Break-even Sales = Total Fixed Costs / Variable Costs per Unit

b) Break-even Sales = Total Fixed Costs / Contribution Margin Ratio
c) Break-even Sales = Total Variable Costs / Contribution Margin Ratio
d) Break-even Sales = Total Sales / Total Variable Costs

Ans:b)

26.If a company's actual sales are Rs. 50,000, and the break-even sales are Rs.40,000, what is the margin of safety in dollars?
a) Rs.10,000
b) Rs.50,000
c) Rs.40,000
d) Rs.90,000

Ans:a)

27.What is the formula to calculate the margin of safety ?
a) Margin of Safety = Total Sales - Break-even Sales
b) Margin of Safety = Total Fixed Costs - Total Variable Costs
c) Margin of Safety = Total Sales - Total Costs
d) Margin of Safety = Gross Profit - Fixed Costs

Ans a)

28.If a company's total fixed costs increase, what will happen to the break-even point in terms of units?
a) It will decrease
b) It will remain the same
c) It will increase
d) It will become negative

Ans:c)

29.Which of the following is not a limitation of marginal costing?
a) Ignores fixed costs
b) May lead to pricing decisions that do not consider long-term implications
c) Cannot be used for external financial reporting
d) Ignores variable costs

Ans:d)

30.When contribution is positive but equal to fixed cost,

a) There is loss equal to fixed costs
b) There is loss more than fixed costs
c) There will be loss less than fixed costs
d) There will be neither profit not loss

ANS: d)

31.Absorption costing is also known as

a) Historical costing
b) Total costing
c) Both a and b
d) None of the above
Ans: c)

32. In context of net operating profit, which of the following statements are true?

a) If all costs are variable, the amount of profit obtained in marginal costing and absorption costing will be same.
b) If the volume of sales and output is equal in a period, profit will be same in absorption costing and marginal costing.
c) Both a and b
d) None of the above
Ans: c)

33. Under absorption costing, managerial decisions are based on

a) Profit
b) Contribution
a) Profit volume ratio
c) None of the above
Ans: a)

34. Managers utilizes marginal costing for

a) Make or buy decision
b) Utilization of additional capacity
c) Determination of dumping price
d) All of the above
Ans: d

35. ____________ is not suitable where selling price is determined on the basis of cost-plus method.

a) Absorption costing
b) Marginal costing
c) Both a and b
d) None of the above
Ans:b

36. Which of the following are characteristics of B.E.P?

a) There is no loss and no profit to the firm.
b) Total revenue is equal to total cost.
c) Contribution is equal to fixed cost.

d) All of the above.
Ans:d

37.Which of the following are limitations of break-even analysis?

a) Static concept
b) Capital employed is taken into account.
c) Limitation of non-linear behaviour of costs
d) Limitation of presence of perfect competition
Ans: a

38. Using equation method, Break-even point is calculated as

a) Sales = Variable expenses + Fixed expenses + Profit
b) Sales = Variable expenses + Fixed expenses - Profit
c) Sales = Variable expenses - Fixed expenses + Profit
d) None of the above

Ans: a

39. Given selling price is Rs 10 per unit, variable cost is Rs 6 per unit and fixed cost is Rs 5,000. What is break-even point?

a) 500 units
b) 1,000 units
c) 1,250 units
d) None of the above

Ans: c

40. Contribution is also known as

a) Contribution margin
b) Net Margin
c) Both a and b
d) None of the above

Ans: a

II SHORT ANSWER TYPE QUESTIONS:

1. What is marginal costing?
2. What is the primary focus of marginal costing?
3. How is marginal cost calculated?
4. Define contribution margin.
5. What are variable costs in marginal costing?
6. How are fixed costs treated in marginal costing?
7. What is the significance of the contribution margin ratio?
8. What is the break-even point, and how is it calculated in marginal costing?
9. What is the margin of safety, and why is it important?
10. Explain the difference between variable costing and absorption costing.

11. How does marginal costing help in decision-making?
12. What is the relevance of marginal costing in pricing decisions?
13. How can marginal costing assist in make-or-buy decisions?
14. Define incremental cost in the context of marginal costing.
15. What is the impact of changes in variable costs on the break-even point?
16. Explain the concept of limiting factor analysis in marginal costing.
17. How does the contribution margin change as sales volume increases?
18. What are the limitations of marginal costing as a cost accounting technique?
19. In what scenarios might absorption costing be preferred over marginal costing?
20. What is meant by “Angle of Incidence” in a break-even chart?
21. Write a note on “Application of Marginal Costing “
22. What are the limitations of Marginal Costing?
23. The role of managerial accountant in deciding among alternative courses of action in crucial”. Examine this statement with special reference to special order acceptance?
24. “Marginal Costing rewards sales whereas absorption costing rewards production”?
25. Write a short note on “Contribution”.
26. Give the formula for calculating P/V Ratio.
27. What are the merits of Marginal costing?
28. What is Break even chart?
29. Differentiate between net profit and contribution margin.
30. What is absorption costing?

III LONG ANSWER TYPE QUESTIONS:

1. Your boss is looking over a Break-even Chart which you have constructed to portray the cost volume profit relationship of proposed plan of operations. He comments “The Chart only tells me more profits we make”. What is your reply?
2. Explain the techniques of marginal costing and state its importance in decision making.
3. (a) State distinction between marginal costing and absorption costing as regards valuation of finished goods inventories.
   (b) What are the limitations of a breakeven chart.
3. What benefits are gained from marginal costing? Are there any pitfalls in the application of marginal costing? Discuss these matters critically.
4. State the implications of selling the product of a multiple firm at a price less than the marginal cost. When would you advocate selling below the marginal cost?
5. “Cost-volume-profit” relationship provides the management with a simplified framework for an organisation which is thinking on a number of its problem. Discuss.
6. “The proper treatment of fixed cost presents a problem in full cost pricing”. Explain this statement.
7. “Explain with suitable illustrations the following differential”
   (a) In the very long run all cost are differential
   (b) In the long run profit calculated under absorption costing will be the same as that under variable costing.
8. Mention the type of problems which a management accountant can expect to solve with Break-even analysis.
9. “Marginal costing is the administrative tool for the management to achieve higher profits and efficient operations”. Discuss.
10. Explain under what circumstances marginal costing plays important role in price fixation?

11. What are the chief advantages of break-even analysis? Outline the assumptions behind this analysis.
12. Explain the concept of BEP and CVP. Explain as to how they useful for the managers for their decision making?
13. Distinguish between marginal costing and total costing techniques of cost analysis. how are the profit statement under the two techniques present?
14. Mention any four important factors to be considered in Marginal costing decisions.
15. Discuss the relationship between Angle of Incidence, Break-even level and Margin of safety.
16. Cost benefits analysis is needed for resolving many managerial problems. List the various items of cost and benefit that will quantify in respect of managerial decisions concerning (a) change versus status quo(b) retain or replace(c) shut down or continue.

PRACTICAL PROBLEMS:

17. Kaku Ltd. Produces one standard type of article. The result of the last 4 months of the year 1998 are as follows:

	Output (Units)
September 1998	200
October	300
November 1998	400
December	600

Prime cost in Rs. 10 per unit. Variable expenses are Rs.2 per unit. Fixed expenses are Rs. 36,000 per annum. Find out cost per unit of each month.

[Ans: September Rs. 27, October Rs. 22, November Rs. 19.5, December Rs. 17.00]

18. Production costs of oriental enterprises Limited are as follows:

		Level of Activity	
	60%	70%	80%
Output (in units)	1200	1400	1600
Cost (in Rs.)			
Direct Material	24000	28000	32,000
Direct Labour	7200	8400	9,600
Factory Overheads	12800	13600	14,400
Works Cost	44,000	50000	56,000

A proposal to increase production to 90% level of activity is under consideration of management. The proposal is not expected to involve any increase in fixed factory overheads.

Prepare a statement showing the prime cost, total marginal cost and total factory cost at 90% level of activity.

[Ans: Prime Cost Rs. 46,800, Marginal Cost Rs. 54,000, Works Cost Rs. 62,000]

[Hint: fixed overheads Rs. 8,000].

19. A firm has two factories, the product being the same in both cases. The following is the relevant information about the two factories.

	I	II
Capacity P.a	10,000 units	15,000 units
Variable cost per uint	Rs. 70	Rs. 55
Fixed Cost P.a	Rs. 4,00,000	Rs. 9,00,000

The demand is only 20,000 units. State how the capacity in two factories should be utilized.

[Ans: Both factories have to be operated for meeting demand in full. However, Factory II has a lower variable cost per unit. Hence, Factory II should produce 15,000 units and Factory I should produce 5,000 units.]

20. Sales of a product amount to 200 units per month at Rs. 10 per unit. Fixed overheads isRs. 400 per month and variable cost Rs. 6 per unit. There is a proposal to reduce price by 10%. Calculate the present and future P/V ratios and find by applying P/V ratios, how many units must be sold to maintain total profit.

[Ans: Present P/V Ratio 40%; Future P/V Ratio 331/3%; units to be sold 267].

21. Merry Manufacturers Ltd., has supplied you the following information in respect of one of its products:

	Rs.
Total Fixed Costs	18,000
Total Variable Costs	30,000
Total Sales	60,000
Units sold	20,000

Find out(a) contribution per unit, (b) break-even point, (c) margin of safety,(d) profit and (e) volume of sales to earn a profit of Rs. 24,000.

[Ans. (a)Rs. 1.50, (b) 12,000 units,(c) 8,000 units, or Rs. 24,000,(d) Rs, 12,000,(e) 28,000 units].

22. (a) A company has fixed expenses of Rs. 99,000 with sales at Rs. 3,00,000 and a profit of Rs. 60,000. Calculate the profit/Volume ratio. If in the next period, the company suffered a loss of Rs. 30,000. Calculate the sales volume.
(b) What is the margin of safety for a profit of Rs. 60,000 in (a) above?
[Ans: (a)50%, Rs.120000; (b) Rs. 1,80,000]

23. An analysis of Sultan Manufacturing Co. Ltd. Led to the following information:

Cost element	Variable cost	Fixed cost
	(% of sales)	Rs.
Direct Material	32.8	
Direct Labour	28.4	
Factory Overheads	12.6	1,89,900

Distribution Overheads	4.1	58,400
General Administration Overheads	1.1	66,700

Budgeted Sales are Rs. 18,50,000,you are required to determine :

(i) the break even sales volume;
(ii) the profit at the budgeted sales volumes; and

(iii) the profit if actual sales;

(a) drop by 10% and

(b) increase by 5% from budgeted sale.

[Ans. (i) Rs. 15,00,000, (ii) Rs. 73,500, (iii) (a) Rs. 34650,(b) Rs.92,925]

24. Company A and company B, both under the same management, make and sell the same type Profit and Loss Account for January-June1986 are as under:

Company A			Company B	
	Rs.	Rs.	Rs.	Rs.
Sales		300000		300000
Less: Variable Cost	2,40,000		2,00,000	
Fixed Cost	30,000	2,70,000	70,000	2,70,000
		30,000		30,000

You are required to:
(i) Calculate the Break-even point for each company.
(ii) Calculate the sales volume at which each of the two companies will profit by Rs. 10,000.
(iii) Assess how the profitability will change with decrease or increase in volume:

[Ans: Company A	Company B
(i) Rs. 1,50,000	(i) Rs. 2,10,000
(ii) Rs. 2,00,000	(ii) Rs. 2,40,000
(iii) P/V Ratio 20%	(iii) 33.1/3%

25. The reliable Battery Co. furnishes you the following information:

	Year 1996	
	First half	Second half
Sales	Rs. 8,10,000	Rs. 10,26,000
Profit earned	21,600	64,800

From the above you are required to compute the following assuming that the fixed cost remains the same in both the periods:
(i) Profit/Volume Ratio.
(ii) Fixed cost.
(iii) The amount of profit or less where sales are Rs. 6,48,000.
(iv) The amount of sales required to earn a profit of Rs. 1,08,000.

[Ans: (i) 20%; (ii) Rs. 1,40,000; (iii) Loss Rs. 10,800; (iv) Rs. 12,42,000].

26. Draw a break-even chart on the basis of following data:
Plant capacity: 1,60,000 units per year
Fixed cost: Rs. 4,00,000
Variable Cost: Rs. 5 per unit
Selling price: Rs. 10 per unit

[Ans: BEP 80,000 units].

27. From the following data, which product would you recommend to be manufactured in a factory, time being the key factor?

	Per unit of product 'A'	Per unit of product 'B'
Direct material	Rs. 24	Rs. 14
Direct labor at Re. 1 per hour	2	3
Variable overhead at Rs. 2 per hour	4	6
Selling price	100	110
Standard Time to produce	2 hours	3 hours

[Ans: product A recommended]

28. From the following data, recommend the most profitable product mix, presuming that direct labour hours available are only 700:

	Product	
	A	B
Contribution per unit	Rs. 30	Rs. 20
Direct Labour per unit	10 hrs.	5 hrs.

The maximum production possible for each of the products A and B 100 units.

The fixed overheads are Rs. 1,000.

[Ans: Product A 20 units; Product B 100 units. Net profit Rs. 1600]

Application CVP Analysis

29. Polestar Electronics decides to effect a 10 % reduction in the price of its product because it is felt that such a step may lead to a greater volume of sales.

It is anticipated that there are no prospects of a change in total fixed costs and variable cost per unit. The directors wish to maintain the new profit at the present level.
The following information has been obtained from its books:

Sales 10,000 units	Rs. 2,00,000
Variable Costs	Rs. 15 per unit
Fixed costs	Rs. 40,000

How would management proceed to implement this decision?

[Ans: Profit Rs. 10,000; Units to be sold 16,667. Management should reduce selling price only when it is sure of increasingly sales by 6,667 units]

30. With a view to increase the volumes of sales. Ambitious enterprises has in mind a proposal to reduce the price of its products by 20%. No change in total fixed costs or variable costs per unit is estimated. The Directors, however, desire the present level of profit to be maintained.

The following information has been provided:

	Sales 50,000 units	Rs. 5,00,000
	Variable Costs	Rs. 5 per unit
	Fixed Costs	Rs. 50,000

Advise management on the basis of the various calculations made from the data given above.

[Ans: Present P/V Ratio 50%, Future P/V Ratio 37.5%. Sales required to maintain present profit Rs. 16,667].

31. A company is proposing to add a new machine costing Rs. 1,00,000. The machine has a life of five years and no salvage value. Other fixed costs associated with the machine are Rs. 5,000 per year. If the variable costs per unit of the product are 75% of selling price, how much minimum additional sales will be necessary so that the present profits are maintained even after the new machine is installed?

[Ans: additional cost per annum Rs. 25,000; P/V Ratio 25%; Additional sales required to maintain the present profit Rs. 1,00,000.]

32. Present the following information to show to the management (a) the marginal product cost and the contribution per unit;(b) the contribution and profit resulting from each of the following sales mixture:

33.

	Product	Per unit
Direct Material	A	Rs. 10.00
	B	9.00
Direct Wages	A	3.00
	B	

Fixed expenses are allocated to products as 100% of direct wages)

Sales Price A B

Sales Mix:

(i) 1,000 units of product A and 2,000 units of B.

(ii) 1,500 units of product A and 1,500 units of B.

(iii) 2,500 units of product A and 1,000 units of B.

Recommend which of the sales mix should be adopted.

[Ans: Profit:(i) Rs.7200;(ii)8,200;(iii)9,200;(iv) is recommended]

34. An analysis of XYZ Ltd. Led to the following information:

	Variable cost (% of sales)	Fixed costs Rs.
Direct Material	32.8	
Direct Labour	28.4	
Factory Overheads	12.6	1,89,900
Distribution Overheads	4.1	58,400
General Administration Overheads	1.1	66,700

Budgeted Sales are Rs. 18,50,000. You are required to determine:

i. BEP Sales
ii. The profit at the budgeted sales volume
iii. The profit if actual sales Drop by 5%.

UNIT-IV

I MULTIPLE CHOICE QUESTION

1.Which of the following is a fundamental step in the decision-making process?

a) Implementation
b) Evaluation
c) Analysis
d) All of the above

Ans:c)

2.What is the primary objective of managerial decision-making?

a) Minimize costs
b) Maximize profits
c) Maximize market share
d) Minimize risks

Ans:b)

3.In decision-making, what is a constraint?

a) A limitation on available resources
b) A problem-solving technique
c) A financial statement
d) A decision criterion

Ans:a)

4.Which of the following is an example of a strategic decision?

a) Determining the daily production schedule
b) Selecting a new market to expand into
c) Hiring temporary workers for a seasonal project
d) Setting the selling price for a product

Ans:b)

5.In a cost-benefit analysis, what is the key criterion for decision-making?

a) Maximizing costs
b) Minimizing benefits
c) Maximizing benefits
d) Minimizing costs

Ans:c)

6.In the context of managerial decision-making, the decision to shut down or continue operations is typically based on:

a) Ethical considerations.
b) Short-term profitability.
c) Long-term sustainability.
d) Market share.

Ans:c)

7.What is the primary factor to consider when deciding whether to shut down or continue operations in the short term?

a) Long-term strategic goals
b) Total fixed costs
c) Variable costs
d) Contribution margin

Ans:d)

8.If a company's total revenue is less than its total variable costs, what decision is typically recommended in the short term?

a) Shut down operations
b) Continue operations
c) Expand operations
d) Diversify operations

Ans:a)

9.In the short term, the decision to shut down or continue operations should consider which of the following?

a) Sunk costs
b) Long-term investments
c) Ethical implications
d) Market trends

Ans:a)

10.Which of the following is a relevant cost when deciding whether to shut down or continue operations?

a) Historical fixed costs
b) Variable costs that can be avoided if operations cease
c) Sunk costs
d) Future strategic investments

Ans:b)

11.What does the term "profitable product mix" refer to in business?

a) The assortment of products available in a store
b) The combination of products that generate the highest profit
c) The total number of products in a company's portfolio
d) The quantity of products sold in a given period

Ans:b)

12.When optimizing the profitable product mix, which of the following factors is typically considered?

a) The popularity of the products
b) The production capacity
c) The size of the products
d) The product colours

Ans:b)

13.In the context of profitable product mix, what is the contribution margin?

a. The total sales revenue

b. The total variable costs
c. The difference between total revenue and total costs
d. The profit generated by each product

Ans:c)

14.Which product should a company prioritize in its profitable product mix if it has a higher contribution margin per unit?

a. A product with a low selling price
b. A product with high variable costs
c. A product with a low contribution margin
d. A product with a high contribution margin

Ans:d)

15.What is the goal of optimizing the profitable product mix?

a. To minimize production capacity
b. To maximize the number of products offered
c. To increase overall profit
d. To reduce variable costs

Ans:c)

16.In profitable product mix analysis, which of the following is considered a constraint?

a. Production capacity
b. Variable costs
c. Market demand
d. Sunk costs

Ans:a)

17.What is the result of successfully optimizing the profitable product mix?

a. Increased total costs
b. Lower contribution margin
c. Higher overall profit
d. Reduced market demand

Ans:c)

18.What does the decision regarding the addition or elimination of a product line primarily depend on?

a. Employee preferences
b. Sunk costs
c. Profitability and strategic fit
d. Market trends

Ans:c)

19.When considering the addition of a new product line, what should a company primarily assess?

a. Employee satisfaction
b. Historical costs
c. Market demand and potential profitability
d. Sunk costs

Ans:c).

20.In the context of adding a new product line, which of the following is an example of an opportunity cost?

a. The cost of raw materials
b. The cost of marketing
c. The potential profit from the best alternative use of resources
d. The fixed overhead costs

Ans:c)

21.When deciding whether to eliminate a product line, which factor is essential to consider?

a. The historical cost of the product
b. The strategic importance of the product
c. The cost of employee training
d. The availability of raw materials

Ans:b)

22.What is a relevant cost when deciding to eliminate a product line?

a. Sunk costs associated with the product line
b. The company's total fixed costs
c. Variable costs of other products
d. Historical sales revenue of the product

Ans:a)

23.In the context of adding or eliminating a product line, what does "strategic fit" refer to?

a. The availability of resources
b. How well the product aligns with the company's overall goals and objectives
c. Historical costs
d. Employee preferences

Ans:b).

24.What is the primary objective of considering the addition or elimination of a product line?

a. Minimizing employee turnover
b. Maximizing historical sales revenue
c. Maximizing profitability and shareholder value
d. Reducing variable costs

Ans:c

25.What is the primary objective when deciding whether to sell a product as is or process it further?

a. Maximizing selling price
b. Minimizing production costs
c. Maximizing processing costs
d. Minimizing selling expenses

Ans:a)

26.When considering the decision to process a product further, what should a company primarily assess?

a. Historical costs
b. Market demand and potential revenue
c. Employee preferences
d. Sunk costs

Ans:b)

27.In the context of processing a product further, what is an example of a relevant cost?

a. Sunk costs associated with the original production
b. The company's total fixed costs
c. Variable costs of unrelated products
d. Historical production capacity

Ans:a)

28.What is an opportunity cost in the decision to process further?

a. The cost of raw materials
b. The cost of labor
c. The potential revenue from selling the product as is
d. The fixed overhead costs

Ans:c)

29.When deciding whether to sell a product as is or process it further, what is essential to consider?

a. The historical cost of the product
b. The potential market demand for both options
c. The cost of employee training
d. The availability of raw materials

Ans:b)

30.In the context of processing further, what does "incremental revenue" refer to?

a. The total revenue from both options

b. The additional revenue generated by processing further
c. The historical sales revenue of the product
d. The selling price of the product as is

Ans:b)

31.What is the primary goal of considering the decision to sell or process further?

a. Minimizing production time
b. Maximizing total revenue and profit
c. Reducing variable costs
d. Maximizing historical costs

Ans:b)

II SHORT ANSWER TYPE QUESTIONS:

1. What factors do you consider when making a decision between alternative choices?
2. How do you prioritize your options when faced with multiple alternatives?
3. What's your preferred method for evaluating the pros and cons of different choices?
4. Can you describe a recent decision where you had to choose between alternatives?
5. When do you decide to "make" a product or service in-house versus "buy" it from an external provider?
6. What factors influence your choice between making or buying a product/component?
7. How do you assess the cost-effectiveness of making something versus buying it?
8. How do you determine the ideal sales mix for your product or service offerings?
9. What factors influence your decision when allocating resources to different product lines?
10. How do you balance profitability and market demand when deciding on your sales mix?
11. Briefly explain the relevance consideration involved in respect of:

    Make or buy, Temporary closure of a business or part of a business, Choosing a channel of distribution for a product
12. Enumerate the factors which can change the breakeven point.
13. What do you mean by “Make or Buy decision”? State the quantitative & qualitative considerations influencing a ‘make or buy ‘decision?
14. What do you mean by Differential Cost Analysis. State its silent features.

III LONG ANSWER TYPE QUESTIONS:

Exploring new markets

15. Due to industrial depression, a plant is running, at present, at 50% of its capacity. The following details are available.

Cost of production per unit

Direct materials	Rs. 2
Direct labor	Re. 1
Variable Overhead	Rs. 3
Fixed Overhead	Rs. 2
	8
Production per month	20,000 units
Total cost of production	Rs. 1,60,000
Sales Price	Rs. 1,40,000
Loss	Rs. 20,000

An exporter offer to buy 5,000 units per month at the rate of Rs. 6.50 per unit and the company hesitate to accept the offer for fear of increasing its already large operating losses.

Advise whether the company should accept or decline this offer.

[Ans: the company should accept the offer since the amount of loss will stand reduced from Rs.20,000 to Rs. 17,500]

Discontinuance of a Product Line

16. A company which sells four products, some of them unprofitable, proposes discontinuing the sale of one of them. The following information is available regarding income, cost and activity for the year ended 31st March,1999:

			Products	
	A	B	C	D
Sales	Rs. 3,00,000	5,00,000	2,50,000	4,50,000
Cost of sales at				
Purchase price	Rs. 2,00,000	4,50,000	2,10,000	2,25,00
Area of Storage (sq. ft.)	50,000	40,000	80,000	30,000
Number of parcels sent	1,00,000	1,50,000	75,000	1,75,000
Number of invoices sent	80,000	1,40,000	60,000	1,20,000

Its overhead cost and basis of allocations are :

		Basis of allocation to products
Fixed costs:		
Rent and insurance	Rs. 30,000	Sq. ft. Occupied
Depreciation	10,000	Parcels sent
Salesmen's Salaries and Expenses	60,000	Sales Volumes

Administration Wages and Salaries	50,000	No. of Invoices
Variable Costs:		
Packing wages and Materials		20 paise per parcel
Commission		4% of sales
Stationary		10 paise per invoice

You are required to:

(a) Prepare Profit and Loss Statement, showing the percentage of Profit or loss to sales for each product.

(b) Compare the profit if the company discontinues sale of product 'B' with the profit if it discontinues product 'C'.

[Ans: (a): Profit 9.5%; B: Loss 12.1%; C; Loss 8.8%:D: Profit 26.4%;(b) Total Profit if 'B' is discontinued Rs. 79,000, Total Profit is 'C' is discontinued Rs. 56,000]

17. A radio manufacturing company finds that while it costs Rs. 6.25 each to make component X 273 Q, the same is available in the market at Rs. 5.75 each, with an assurance of continued supply. The breakdown of costs is :

Materials	Rs. 2.75 each
Labour	Rs. 1.75 each
Other variable costs	Rs. 0.50 each
Depreciation and Other fixed cost	Rs. 1.25 each
	Rs. 6.25 each

(a) What you make or buy?

(b) What would be your decision if the supplier offered the component at Rs. 4.85 each?

[Ans: (a) variable cost Rs. 5, hence not profitable to buy.

(b) There is a saving of 15 p. per component, the offer may be accepted.]

18. Auto parts Ltd. Has an annual production of 90,000 units for a motor component. The component's cost structure is as given below:

	Rs. Per unit
Materials	270
Labour (25% fixed)	180
Expenses:	
Variable	90
Fixed	135
Total	675

(a) The purchase Manager has an offer from a supplier who is willing to supply the component at Rs. 540. Should the component be purchased and production stopped?

(b) Assume the resources now used for this component's manufacture are to be used to produce another new product for which the selling price is Rs. 485.

In the latter case material price will be Rs. 200 per unit. 90,000 units of this product can be produced, at the same cost basis as above for labour and expenses. Discuss whether it would be advisable to divert the resources to manufacturer that new product, on the footing that the component presently being produced would, instead of being produced, be purchased from the market.

[Ans: (a) variable cost per unit: Rs. 495, Purchases Price: Rs. 540. It is beneficial to continue the production of the company.
(b) Contribution per unit of the new product: Rs. 60 .Additional cost of purchasing component per unit: Rs. 45. There is a net saving of Rs. 15. It is beneficial to buy the component.]

Change versus Status Quo

19. A company is producing two products 'X' and 'Y' from joint manufacturing process. The joint costs are Rs. 2,00,000 and it has given a production of 1 lakh kilogram of 'X' having a selling price of Rs. 1 per kilogram and 2 lakh kilogram of 'Y' having a selling price of Rs. 1.50 per kilogram.

The company is considering a proposal to process product 'X' into a new product 'Z' which sells at Rs. 3 per kilogram. The processing cost would amount to be Rs. 1,75,000 for converting one lakh kilograms of products 'X' to product 'Z'.

You are required to advise the company about the acceptance or rejection of the above proposal.

[Ans: Transformation will result in an additional profit of Rs. 25000. The proposed may therefore be accepted.]

20. (a) a company is manufacturing three products details of which for the year are given below:

Product	Price Rs.	Variable cost Rs.	Percent of total sale value
A	20	10	40
B	25	15	35
C	20	12	25

Total fixed Costs per year
Total Sales

You are required to work out the break-even point in rupee sales for each product assuming that the sales mix is to be retained.

(a) The management has approved a proposal to substitute product C by product D in the coming year. The latter product has a selling price of Rs. 25 with a variable cost of Rs. 12.50 per unit. The new sales mix of A, B and D is expected to be 50:30:20. Next year fixed costs are expected to increase by Rs. 31,000. Total sales are expected to remain at Rs. 5,00,000.

You are required to work out the new break-even point in rupee sales and units for each product.

(b) What is your comment on the decision of the management regarding changing product mix.

[Ans: (a) total contribution Rs. 2,20,000; Profit Rs.1,10,000; Composite BEP Rs. 2,60,000

(c) Total contribution Rs. 2,35,000; Profit Rs. 94,000; Composite BEP Rs. 3,00,000.

(d) The decrease in net profit in second year is due to fixed costs and not because of change in product mix. The overall contribution has increased by Rs. 15,000. Hence, the management may change the product mix, as proposed.]

21. R Ltd. Has a factory which manufactures a product whose sale have declined to Rs. 40,000 per annum. Special purpose machinery is employed to make the product and there is no hope of this used for any other purpose. Nor is there any hope of stimulating demand of the existing product.

The estimated life of the factory plant is 5 years and sales should continue at the same level for the whole period. Total variable costs per annum for the expected sales are Rs. 20,000. Fixed costs per annum total Rs. 15,000 including Rs. 7,000 as depreciation. All sales and expenses accrue at the end of the year.

If the factory is sold "lock, stock and barrel" immediately. 30,000 may be obtained. On the other hand, if it is operated for 5 years, Rs. 4,000 is the estimate residual value.

Presuming 10% as the cost of capital, you are required to advise whether it will be appropriate to operate the factory or close it down immediately. The present value of an annuity of Re. 1 at 10% discount for 5 years at 10% discount is Re. 0.62.

[Ans: If plant is operates, for five years total cash inflow would amount to Rs. 47,976. If it is sold only Rs. 30,000 would be realized. It is, therefore, advisable to continue the business to operate.]

[Hint: if factory operates, the annual cash inflow is Rs. 12,000. Moreover. 4,000 will be realized as scrap. The present value of cash inflows therefore amount to Rs. 47,976. (i.e., 12,000x3.791+4,000x.621.)]

22. Paint manufacturing company manufacturer 2,00,000 per annum medium sized tins of "Spray Lac Paints" when working at normal capacity. It occurs the following costs of manufacturing per unit:

	Rs.
Direct Material	7.80
Direct labour	2.10
Variable Overheads	2.50
Fixed Overheads	4.00
Product Cost (Per unit)	16.40

Each unit(tin) of the product is sold for Rs. 21 with variable selling and administration expenses of 60 paise pertain.

During the next quarter only 10,000 units can be produced and sold. Management plans to shut down the plant estimating that the fixed manufacturing cost can be reduced to Rs. 74,000 for the quarter.

When the plant is operating, the overheads are incurred at a uniform rate throughout the year. Additional costs of plant shut-down for the quarter are estimated at Rs. 14,000. You are required:

(a) To express your opinion, along with the calculations, as to whether the plan should be shut down during the quarter, and

(b) To calculate the shutdown point for quarter in units of products (i.e., in terms of number of tins).

[Ans: (a) Loss when plant is operated Rs. 1,20,000, Loss when plant is shut down Rs. 88,000. The management should shut down the plant.

(c) Shut down point at output of 14,000 units (i.e., Rs. 1,12,000/8).

23. The sports material manufacturing company budgeted the following data for the coming year.

Sales (1,00,000 units)	Rs.1,00,000
Variable cost	Rs. 40,000
Fixed cost	Rs. 50,000

Find out (a) P/V Ratio, B.E.P and Margin of Safety

(b) Evaluate the effect of

(i) 20% increase in physical sales volume

(ii) 20% decrease in physical sales volume

(iii) 5% increase in variable costs

(iv) 5% decrease in variable costs

(v) 10% increase in fixed costs

(vi) 10% decrease in fixed costs

(vii) 10% decreases in selling price and 10% increase in sales volume

(viii) 10% increase in selling price and 10% decrease in sales volume

(ix) Rs. 5,000 variable cost decrease accompanied by Rs. 15,000 increase in fixed costs.

24. A factory is currently working to 40% capacity and produces 10,000 units. At 50% the selling price falls by 3%. At 90% capacity the selling price falls by 5% accompanied by similar fall in prices of raw material.

Estimate the profit of the company at 50% and 90% capacity production.

The cost at present per unit is:

Material	Rs.10
Labour	Rs. 3
Overheads	Rs. 5 (60% fixed)

The selling price per unit is Rs. 20/- per unit.

DELHI INSTITUTE OF ADVANCED STUDIES
Plot No. 6, Sector-25, Rohini, Delhi-110085
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(Approved by AICTE & Affiliated with GGSIP University for B.Com(H), BBA, MBA & MBA (FM) Programmes)
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MODEL TEST PAPER
BUSINESS ANALYTICS
MBA III (FM)

Total Time: 2 hours ***Max. Marks: 75***

Attempt any four questions in all. Each question carries equal marks.

Q 1 Define Business Analytics? How it is different from analysis. Discuss framework of business analytics.

Q2 a) Why R is termed as R and Explain data structures and data types in R?
b) Describe different types of operators in R.

Q 3 Explain data preparation. How to treat missing values, identify and manage outliers in data analysis process? Explain.

Q4 Explain PCA and discuss various assumptions, extraction criteria's for components in PCA.

Q5 What is Unsupervised learning methods. How it is different from supervised learning. Explain association rule learning.

Q 6 Discuss logistic Regression? Give an example where logistic regression can be used? Define log – likelihood and odd ratio in logistic regression.

Q 7 How Cluster analysis can be performed on structured and unstructured data? Explain KNN in detail.

Q8 What is time series? Describe various time series patterns. How regression analysis is used for time series forecasting.

Solution of Model Test Paper

Q 1 Define Business Analytics? How it is different from analysis. Discuss framework of business analytics.

Business analytics, or simply **analytics**, is the use of data, information technology, statistical analysis, quantitative methods, and mathematical or computer-based models to help managers gain improved insight about their business operations and make better, fact-based decisions. Business analytics is "a process of transforming data into actions through analysis and insights in the context of organizational decision making and problem solving." Business analytics is supported by various tools such as Microsoft Excel and various Excel add-ins, commercial statistical software packages such as SAS or Minitab, and more-complex business intelligence suites that integrate data with analytical software.
Some common types of decisions that can be enhanced by using analytics include

- pricing (for example, setting prices for consumer and industrial goods, government contracts, and maintenance contracts),
- customer segmentation (for example, identifying and targeting key customer groups in retail, insurance, and credit card industries),
- merchandising (for example, determining brands to buy, quantities, and allocations),
- location (for example, finding the best location for bank branches and ATMs, or where to service industrial equipment),

Key Differences Between Data Analytics vs Data Analysis

- Data analytics is a conventional form of analytics which is used in many ways like health sector, business, telecom, insurance to make decisions from data and perform necessary action on data. Data analysis is a specialized form of data analytics used in businesses and other domain to analyze data and take useful insights from data.
- Data analytics consist of data collection and in general inspect the data and it has one or more usage whereas Data analysis consists of defining a data, investigation, cleaning the data by removing NA values or any outlier present in a data, transforming the data to produce a meaningful outcome.
- To perform data analytics, one has to learn many tools to perform necessary action on data. To achieve analytics, one must have knowledge of R, Python, SAS, Tableau Public, Apache Spark, Excel and many more. For data analysis, one must have hands-on of tools like Open Refine, KNIME, Rapid Miner, Google Fusion Tables, Tableau Public, Node XL, Wolfram Alpha tools etc.
- Data analytics life cycle consists of Business Case Evaluation, Data Identification, Data Acquisition & Filtering, Data Extraction, Data Validation & Cleansing, Data Aggregation & Representation, Data Analysis, Data Visualization, Utilization of Analysis Results. As we know that data analysis is a sub-component of data analytics so data analysis life cycle also comes into analytics part, it consists of data gathering,

data scrubbing, analysis of data and interprets the data precisely so that you can understand what your data want to say.

- Whenever someone wants to find that what will happen next or what is going to be next then we go with data analytics because data analytics helps to predict the future value. Whereas In data analysis, analysis performs on past dataset to understand what happened so far from data. Data analytics and data analysis both are necessary to understand the data one can be useful for estimating future demands and other is important for performing some analysis on data to investigate past.

a) Framework of business analytics

Business Analytics (BA) refers to software solutions that assist users analyze huge enterprise data to make enhanced and effective business decisions. It is collection of skills, technologies, applications, and practices for continuous repetitive investigation of past business performance to gain better understanding and drive business planning Business Analytics (BA) refers to software solutions that assist users analyze the huge enterprise data to make enhanced and effective business decisions. It is collection of skills, technologies, applications, and practices for continuous repetitive investigation of past business performance to gain better understanding and drive business planning Business Analytics (BA) refers to software solutions that assist users analyze the huge enterprise data to make enhanced and effective business decisions. It is collection of skills, technologies, applications, and practices for continuous repetitive investigation of past business performance to gain better understanding and drive business planning.

A general framework of BA consists of following layers viz., Data layer, Analytics layer, Reporting/ Visualization Layer.

Data layer: Data is present at many places in many forms, so it needs to be gathered at one place. Data is collected from internal as well as external sources. Internal sources of data include operational database of an organization where daily transactions are stored while as external sources of data include suppliers, customers, competitors, government agencies, internet etc. The collected data is stored in data warehouse and then analyzed for decision making. Various tools used in data layer include:

- Data Warehouse: Oracle Corporation defines a data warehouse as a collection of corporate information derived directly from operational systems (internal sources) and some external data sources. Data warehouse is a copy of transaction data specifically structured for query and analysis. It is informational, analysis and decision support oriented, not operational or transaction processing oriented. Data in a data warehouse is integrated, subject-oriented, non-volatile, and time-variant. Before a data warehouse is populated with data from internal sources as well as external sources, data needs to be transformed. This transformation process is termed as Extract, Transform and Load (ETL) and performs the following functions:

Extract: Data is extracted from many sources including the internal as well as from external sources. It is then consolidated, and non-relevant data is filtered out.
Transform: Extracted data is validated and cleaned up to correct missing, inconsistent, or invalid values. Data is integrated into standard format and business rules are applied that map data to the warehouse schema.
Load: Cleansed data is then loaded into the data warehouse/data mart.

- Data Mart: Also known as localized data warehouses, are small sized data warehouses, typically created by individual divisions or departments to provide their own decision support activities. In order to avoid huge investment and risk of failure, some organizations invest in data marts for a few functional areas like finance or marketing instead of a complete data warehouse. While as some organizations choose both data warehouse as well as dedicated data marts which significantly reduces the query complexity and hence increases the query response time.

Analytics Layer: In this layer, data from Data Warehouse /DataMart's are analyzed by using Descriptive/Predictive/Prescriptive analytics. Various techniques used in this layer are:

- Data Mining: Data mining is the process of exploration and analysis, by semi-automatic or automatic means, of huge quantities of data in order to discover meaningful patterns and rules. Data Mining: Data mining is the process of exploration and analysis, by semi-automatic or automatic means, of huge quantities of data in order to discover meaningful patterns and rules. It is an exploratory data analysis technique that is employed to discover useful patterns in data that are not obvious to the data user. It is vital to choose the appropriate data mining model/algorithm which can be a linear regression, classification task, cluster analysis, rule formation, association finding task, data summarization, learning classification rules, finding dependency networks, analyzing changes, and detecting anomalies.

- Multidimensional Data Analysis: Also known as Online Analytical Processing (OLAP), is part of the wider variety of business intelligence software that enables managers, executives and analysts to gain insight into data through rapid, reliable, collaborative access to a wide-range of multidimensional views of information. It also allows business analysts to rotate that data, changing the relationships to get more detailed insight into corporate information. Multidimensional analysis enables users to view the same data in different ways using multiple dimensions. Each facet of information like region, product, cost, pricing or time period represent a different dimension.

Reporting/ Visualization Layer: Various tools used in this layer are:

- Dashboards: They are the tools for visualization of important business data presented in the form of graphic indicators, charts and tables. A digital dashboard provides the user a graphical high-level view of business processes that can be drilled-down to find more detail on a particular business process. This level of detail is often buried deep in the enterprise's data, making it otherwise concealed to a business manager. t gives users ability to instantly respond to information being presented and provides the facility of drill down and root cause analysis of situations at hand. It organizes and reflects the information into the user interface in an easy, interactive and intuitive manner. It can facilitate users to generate their individual dashboards with various features like tables, reports, pivot tables, graphs, and prompts.

- Balanced Scorecards: The Balanced Scorecards (BSC) concept was presented by Kaplan. They are semi-standard structured report, supported by design tools and techniques, that can be used by managers to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions. They are performance metric to identify and improve various internal functions and their resulting external outcomes.

Q2 a) Why R is termed as R and Explain data structures and data types in R?

R is a programming language and free software environment for statistical computing and graphics supported by the R Foundation for Statistical Computing. The R language is widely used among statisticians and data miners for developing statistical software and data analysis.

R is an implementation of the S programming language combined with lexical scoping semantics, inspired by Scheme. R was created by Ross Ihaka and Robert Gentleman at the University of Auckland, New Zealand. R is named partly after the first names of the first two R authors and partly as a play on the name of S.

The variables are assigned with R-Objects and the data type of the R-object becomes the data type of the variable. There are many types of R-objects. The frequently used ones are −

- Vectors
- Lists
- Matrices
- Arrays
- Factors
- Data Frames

The simplest of these objects is the **vector object** and there are six data types of these atomic vectors, also termed as six classes of vectors. The other R-Objects are built upon atomic vectors.

Data Type	Example	Verify

Logical	TRUE, FALSE	`v <- TRUE`
		`print(class(v))`
		it produces the following result −
		`[1] "logical"`

Numeric	12.3, 5, 999	`v <- 23.5`
		`print(class(v))`
		it produces the following result −
		`[1] "numeric"`

Integer	2L, 34L, 0L	`v <- 2L`
		`print(class(v))`
		it produces the following result −
		`[1] "integer"`

Complex	3 + 2i	`v <- 2+5i`
		`print(class(v))`
		it produces the following result −
		`[1] "complex"`

Character	'a' , '"good", "TRUE", '23.4'	`v <- "TRUE"`
		`print(class(v))`
		it produces the following result −
		`[1] "character"`

Raw	"Hello" is stored as 48 65 6c 6c 6f	`v <- charToRaw("Hello")`
		`print(class(v))`
		it produces the following result −
		`[1] "raw"`

In R programming, the very basic data types are the R-objects called **vectors** which hold elements of different classes as shown above. Please note in R the number of classes is not confined to only the above six types. For example, we can use many atomic vectors and create an array whose class will become array.

Vectors

When you want to create vector with more than one element, you should use **c()** function which means to combine the elements into a vector.

```
# Create a vector.
apple <- c('red','green',"yellow")
print(apple)

# Get the class of the vector.
print(class(apple))
```

When we execute the above code, it produces the following result −

```
[1] "red"    "green"  "yellow"
[1] "character"
```

Lists

A list is an R-object which can contain many different types of elements inside it like vectors, functions and even another list inside it.

```
# Create a list.
list1 <- list(c(2,5,3),21.3,sin)

# Print the list.
print(list1)
```

When we execute the above code, it produces the following result −

```
[[1]]
[1] 2 5 3

[[2]]
[1] 21.3

[[3]]
function (x)  .Primitive("sin")
```

Matrices

A matrix is a two-dimensional rectangular data set. It can be created using a vector input to the matrix function.

```
# Create a matrix.
M = matrix( c('a','a','b','c','b','a'), nrow = 2, ncol = 3, byrow = TRUE)
print(M)
```

When we execute the above code, it produces the following result −

```
     [,1] [,2] [,3]
[1,] "a"  "a"  "b"
[2,] "c"  "b"  "a"
```

Arrays

While matrices are confined to two dimensions, arrays can be of any number of dimensions. The array function takes a dim attribute which creates the required number of dimension. In the below example we create an array with two elements which are 3x3 matrices each.

```
# Create an array.
a <- array(c('green','yellow'),dim = c(3,3,2))
print(a)
```

When we execute the above code, it produces the following result −

```
, , 1

     [,1]     [,2]     [,3]
[1,] "green"  "yellow" "green"
[2,] "yellow" "green"  "yellow"
[3,] "green"  "yellow" "green"

, , 2

     [,1]     [,2]     [,3]
[1,] "yellow" "green"  "yellow"
[2,] "green"  "yellow" "green"
[3,] "yellow" "green"  "yellow"
```

Factors

Factors are the r-objects which are created using a vector. It stores the vector along with the distinct values of the elements in the vector as labels. The labels are always character irrespective of whether it is numeric or character or Boolean etc. in the input vector. They are useful in statistical modeling.

Factors are created using the **factor()** function. The **nlevels** functions gives the count of levels.

```
# Create a vector.
apple_colors <- c('green','green','yellow','red','red','red','green')

# Create a factor object.
factor_apple <- factor(apple_colors)

# Print the factor.
print(factor_apple)
print(nlevels(factor_apple))
```

When we execute the above code, it produces the following result −

```
[1] green  green  yellow red    red    red    green
Levels: green red yellow
[1] 3
```

Data Frames

Data frames are tabular data objects. Unlike a matrix in data frame each column can contain different modes of data. The first column can be numeric while the second column can be character and third column can be logical. It is a list of vectors of equal length.

Data Frames are created using the **data.frame()** function.

```
# Create the data frame.
BMI <-   data.frame(
   gender = c("Male", "Male","Female"),
   height = c(152, 171.5, 165),
   weight = c(81,93, 78),
   Age = c(42,38,26)
)
print(BMI)
```

When we execute the above code, it produces the following result −

```
  gender height weight Age
1   Male  152.0     81  42
2   Male  171.5     93  38
3 Female  165.0     78  26
```

Q2 b) Describe different types of operators in R.

An operator is a symbol that tells the compiler to perform specific mathematical or logical manipulations. R language is rich in built-in operators and provides following types of operators.

Types of Operators

We have the following types of operators in R programming −

- Arithmetic Operators
- Relational Operators
- Logical Operators
- Assignment Operators
- Miscellaneous Operators

Arithmetic Operators

Following table shows the arithmetic operators supported by R language. The operators act on each element of the vector.

Operator	Description	Example

+	Adds two vectors	`v <- c( 2,5.5,6)`
		`t <- c(8, 3, 4)`
		`print(v+t)`
		it produces the following result −
		`[1] 10.0  8.5  10.0`

−	Subtracts second vector from the first	`v <- c( 2,5.5,6)`
		`t <- c(8, 3, 4)`
		`print(v-t)`
		it produces the following result −
		`[1] -6.0  2.5  2.0`

*	Multiplies both vectors	`v <- c( 2,5.5,6)`
		`t <- c(8, 3, 4)`
		`print(v*t)`
		it produces the following result −
		`[1] 16.0 16.5 24.0`

/	Divide the first vector with the second	v <- c(2,5.5,6) t <- c(8, 3, 4) print(v/t) When we execute the above code, it produces the following result − [1] 0.250000 1.833333 1.500000
%%	Give the remainder of the first vector with the second	v <- c(2,5.5,6) t <- c(8, 3, 4) print(v%%t) it produces the following result − [1] 2.0 2.5 2.0
%/%	The result of division of first vector with second (quotient)	v <- c(2,5.5,6) t <- c(8, 3, 4) print(v%/%t) it produces the following result − [1] 0 1 1
^	The first vector raised to the exponent of second vector	v <- c(2,5.5,6) t <- c(8, 3, 4) print(v^t) it produces the following result − [1] 256.000 166.375 1296.000

Relational Operators

Following table shows the relational operators supported by R language. Each element of the first vector is compared with the corresponding element of the second vector. The result of comparison is a Boolean value.

Operator	Description	Example
>	Checks if each element of the first vector is greater than the corresponding element of the second vector.	v <- c(2,5.5,6,9) t <- c(8,2.5,14,9) print(v>t)

		it produces the following result − [1] FALSE TRUE FALSE FALSE
<	Checks if each element of the first vector is less than the corresponding element of the second vector.	v <- c(2,5.5,6,9) t <- c(8,2.5,14,9) print(v < t) it produces the following result − [1] TRUE FALSE TRUE FALSE
==	Checks if each element of the first vector is equal to the corresponding element of the second vector.	v <- c(2,5.5,6,9) t <- c(8,2.5,14,9) print(v == t) it produces the following result − [1] FALSE FALSE FALSE TRUE
<=	Checks if each element of the first vector is less than or equal to the corresponding element of the second vector.	v <- c(2,5.5,6,9) t <- c(8,2.5,14,9) print(v<=t) it produces the following result − [1] TRUE FALSE TRUE TRUE
>=	Checks if each element of the first vector is greater than or equal to the corresponding element of the second vector.	v <- c(2,5.5,6,9) t <- c(8,2.5,14,9) print(v>=t) it produces the following result − [1] FALSE TRUE FALSE TRUE
!=	Checks if each element of the first vector is unequal to the corresponding element of the second vector.	v <- c(2,5.5,6,9) t <- c(8,2.5,14,9) print(v!=t) it produces the following result − [1] TRUE TRUE TRUE FALSE

Logical Operators

Following table shows the logical operators supported by R language. It is applicable only to vectors of type logical, numeric or complex. All numbers greater than 1 are considered as logical value TRUE.

Each element of the first vector is compared with the corresponding element of the second vector. The result of comparison is a Boolean value.

Operator	Description	Example
&	It is called Element-wise Logical AND operator. It combines each element of the first vector with the corresponding element of the second vector and gives a output TRUE if both the elements are TRUE.	v <- c(3,1,TRUE,2+3i) t <- c(4,1,FALSE,2+3i) print(v&t) it produces the following result − [1] TRUE TRUE FALSE TRUE
|	It is called Element-wise Logical OR operator. It combines each element of the first vector with the corresponding element of the second vector and gives a output TRUE if one the elements is TRUE.	v <- c(3,0,TRUE,2+2i) t <- c(4,0,FALSE,2+3i) print(v|t) it produces the following result − [1] TRUE FALSE TRUE TRUE
!	It is called Logical NOT operator. Takes each element of the vector and gives the opposite logical value.	v <- c(3,0,TRUE,2+2i) print(!v) it produces the following result − [1] FALSE TRUE FALSE FALSE

The logical operator && and || considers only the first element of the vectors and give a vector of single element as output.

Operator	Description	Example
&&	Called Logical AND operator. Takes first element of both the vectors and gives the TRUE only if both are TRUE.	v <- c(3,0,TRUE,2+2i) t <- c(1,3,TRUE,2+3i) print(v&&t) it produces the following result − [1] TRUE

||	Called Logical OR operator. Takes first element of both the vectors and gives the TRUE if one of them is TRUE.	v <- c(0,0,TRUE,2+2i) t <- c(0,3,TRUE,2+3i) print(v||t) it produces the following result − [1] FALSE

Assignment Operators

These operators are used to assign values to vectors.

Operator	Description	Example
<− or = or <<−	Called Left Assignment	v1 <- c(3,1,TRUE,2+3i) v2 <<- c(3,1,TRUE,2+3i) v3 = c(3,1,TRUE,2+3i) print(v1) print(v2) print(v3) it produces the following result − [1] 3+0i 1+0i 1+0i 2+3i [1] 3+0i 1+0i 1+0i 2+3i [1] 3+0i 1+0i 1+0i 2+3i
-> or ->>	Called Right Assignment	c(3,1,TRUE,2+3i) -> v1 c(3,1,TRUE,2+3i) ->> v2 print(v1) print(v2) it produces the following result − [1] 3+0i 1+0i 1+0i 2+3i [1] 3+0i 1+0i 1+0i 2+3i

Miscellaneous Operators

These operators are used to for specific purpose and not general mathematical or logical computation.

Operator	Description	Example

:	Colon operator. It creates the series of numbers in sequence for a vector.	`v <- 2:8`
		`print(v)`
		it produces the following result −
		`[1] 2 3 4 5 6 7 8`

%in%	This operator is used to identify if an element belongs to a vector.	`v1 <- 8`
		`v2 <- 12`
		`t <- 1:10`
		`print(v1 %in% t)`
		`print(v2 %in% t)`
		it produces the following result −
		`[1] TRUE`
		`[1] FALSE`

%*%	This operator is used to multiply a matrix with its transpose.	`M = matrix( c(2,6,5,1,10,4), nrow = 2,ncol = 3,byrow = TRUE)`
		`t = M %*% t(M)`
		`print(t)`
		it produces the following result −
		`      [,1] [,2]`
		`[1,]   65   82`
		`[2,]   82  117`

Q 3 Explain data preparation. How to treat missing values, identify and manage outliers in data analysis process? Explain

Sol: Data preparation is the process of cleaning and transforming raw data prior to processing and analysis. It is an important step prior to processing and often involves reformatting data, making corrections to data, and combining datasets to enrich data. Data preparation is often a lengthy undertaking for data engineers or business users, but it is essential as a prerequisite to put data in context to turn it into insights and eliminate bias resulting from poor data quality.

For example, the data preparation process usually includes standardizing data formats, enriching source data, and/or removing outliers.

Benefits of data preparation

76% of data scientists say that data preparation is the worst part of their job, but efficient, accurate business decisions can only be made with clean data. Data preparation helps:

Fix errors quickly — Data preparation helps catch errors before processing. After data has been removed from its original source, these errors become more difficult to understand and correct.

Produce top-quality data — Cleaning and reformatting datasets ensures that all data used in analysis will be of high quality.

Make better business decisions — Higher-quality data that can be processed and analyzed more quickly and efficiently leads to more timely, efficient, better-quality business decisions.

Additionally, data preparation moves with it for even greater benefits, such as:

Superior scalability — Data preparation can grow at the pace of the business. Enterprises don't have to worry about the underlying infrastructure or try to anticipate their evolutions.

Future proof — Data preparation upgrades automatically so that new capabilities or problem fixes can be turned on as soon as they are released. This allows organizations to stay ahead of the innovation curve without delays and added costs.

Data preparation Steps

The specifics of the data preparation process vary by industry, organization, and need, but the workflow remains largely the same.

1. Gather data

The data preparation process begins with finding the right data. This can come from an existing data catalog or data sources can be added ad-hoc.

2. Discover and assess data

After collecting the data, it is important to discover each dataset. This step is about getting to know the data and understanding what has to be done before the data becomes useful in a particular context.

Discovery is a big task, but Talend's data preparation platform offers visualization tools which help users profile and browse their data.

3. Cleanse and validate data

Cleaning up the data is traditionally the most time-consuming part of the data preparation process, but it's crucial for removing faulty data and filling in gaps. Important tasks here include:

- Removing extraneous data and outliers
- Filling in missing values
- Conforming data to a standardized pattern

- Masking private or sensitive data entries

Once data has been cleansed, it must be validated by testing for errors in the data preparation process up to this point. Often, an error in the system will become apparent during this validation step and will need to be resolved before moving forward.

4. Transform and enrich data

Data transformation is the process of updating the format or value entries in order to reach a well-defined outcome, or to make the data more easily understood by a wider audience. Enriching data refers to adding and connecting data with other related information to provide deeper insights.

5. Store data

Once prepared, the data can be stored or channeled into a third-party application — such as a business intelligence tool — clearing the way for processing and analysis to take place.

Treatment of Missing Values

How do you deal with missing values – ignore or treat them? The answer would depend on the percentage of those missing values in the dataset, the variables affected by missing values, whether those missing values are a part of dependent or the independent variables, etc. Missing Value treatment becomes important since the data insights or the performance of your predictive model could be impacted if the missing values are not appropriately handled.

techniques to treat the missing values:

I. Deletion

Unless the nature of missing data is 'Missing completely at random', the best avoidable method in many cases is deletion.

a. Listwise: In this case, rows containing missing variables are deleted.

User	Device	OS	Transactions
~~A~~	~~Mobile~~	~~NA~~	~~5~~
B	Mobile	Android	3
~~C~~	~~NA~~	~~iOS~~	~~2~~
D	Tablet	Android	1
E	Mobile	iOS	4

In the above case, the entire observation for User A and User C will be ignored for listwise deletion

b. Pairwise: In this case, only the missing observations are ignored and analysis is done on variables present.

User	Device	OS	Transactions
A	Mobile	~~NA~~	5
B	Mobile	Android	3
C	~~NA~~	iOS	2
D	Tablet	Android	1
E	Mobile	iOS	4

In the above case, 2 separate sample data will be analyzed, one with the combination of User, Device and Transaction and the other with the combination of User, OS and Transaction. In such a case, one won't be deleting any observation. Each of the samples will ignore the variable which has the missing value in it.

Both the above methods suffer from loss of information. Listwise deletion suffers the maximum information loss compared to Pairwise deletion. But, the problem with pairwise deletion is that even though it takes the available cases, one can't compare analyses because the sample is different every time.

II. Imputation

a. Popular Averaging Techniques

Mean, median and mode are the most popular averaging techniques, which are used to infer missing values. Approaches ranging from global average for the variable to averages based on groups are usually considered.

For example: if you are inferring missing value for Revenue, you might assign the average defined by mean, median or mode to such missing value. You could also consider taking into account some other variables such as Gender of the User and/or the Device OS to calculate such an average to be assigned to the missing values.

Though you can get a quick estimate of the missing values, you are artificially reducing the variation in the dataset as the missing observations could have the same value. This may impact the statistical analysis of the dataset since depending on the percentage of missing observations imputed, metrics such as mean, median, correlation, etc may get affected.

OS	Revenue
Android	1,804
iOS	3,027
iOS	8,788
Android	NA
Android	3,735
Android	1,056
iOS	9,319
Android	6,199
Android	2,235
iOS	NA
Android	1,146

OS	Global Mean	Group Mean
Android	1,804	1,804
iOS	3,027	3,027
iOS	8,788	8,788
Android	4,145	2,696
Android	3,735	3,735
Android	1,056	1,056
iOS	9,319	9,319
Android	6,199	6,199
Android	2,235	2,235
iOS	4,145	7,045
Android	1,146	1,146

The above table shows the difference in imputed missing values of Revenue arrived by taking its global mean and mean based on which OS platform it belongs to.

b. Predictive Techniques

Imputation of missing values from predictive techniques assumes that the nature of such missing observations are not observed completely at random and the variables chosen to impute such missing observations have some relationship with it, else it could yield imprecise estimates.

OUTLIERS

Outliers are observations with a unique combination of characteristics identifiable as distinctly different from the other observations. What constitutes a unique characteristic? Typically it is judged to be an unusually high or low value on a variable or a unique combination of values across several variables that make the observation stand out from the others.

METHODS OF DETECTING OUTLIERS

Outliers can be identified from a univariate, bivariate, or multivariate perspective based on the number of variables (characteristics) considered. The researcher should utilize as many of these perspectives as possible, looking for a consistent pattern across perspectives to identify outliers. The following discussion details the processes involved in each of the three perspectives.

Univariate Detection. The univariate identification of outliers examines the distribution of observations for each variable in the analysis and selects as outliers those cases falling at the outer ranges (high or low) of the distribution. The primary issue is establishing the threshold for designation of an outlier. The typical approach first converts the data values to standard scores, which have a mean of 0 and a standard deviation of 1. Because the values are expressed in a standardized format, comparisons across variables can be made easily.

In either case, the researcher must recognize that a certain number of observations may occur normally in these outer ranges of the distribution. The researcher should strive to identify only those truly distinctive observations and designate them as outliers.

Bivariate Detection. In addition to the univariate assessment, pairs of variables can be assessed jointly through a scatterplot. Cases that fall markedly outside the range of the other observations will be seen as isolated points in the scatterplot. To assist in determining the expected range of observations in this two-dimensional portrayal, an ellipse representing a bivariate normal distribution's confidence interval (typically set at the 90% or 95% level) is superimposed over the scatterplot. This ellipse provides a graphical portrayal of the confidence limits and facilitates identification of the outliers. A variant of the scatterplot is termed the influence plot, with each point varying in size in relation to its influence on the relationship.

Multivariate Detection. Because most multivariate analyses involve more than two variables, the bivariate methods quickly become inadequate for several reasons. First, they require a large number of graphs, as discussed previously, when the number of variables reaches even moderate size. Second, they are limited to two dimensions (variables) at a time. Yet when more than two variables are considered, the researcher needs a means to objectively measure the multidimensional position of each observation relative to some common point. This issue is addressed by the Mahalanobis D2 measure, a multivariate assessment of each observation across a set of variables. This method measures each observation's distance in multidimensional space from the mean center of all observations, providing a single value for each observation no matter how many variables are considered. Higher D2 values represent observations farther removed from the general distribution of observations in this multidimensional space.

OUTLIER DESCRIPTION AND PROFILING

Once the potential outliers are identified, the researcher should generate profiles of each outlier observation and identify the variable(s) responsible for its being an outlier. In addition to this visual examination, the researcher can also employ multivariate techniques such as discriminant analysis or multiple regression to identify the differences between outliers and the other observations. If possible, the researcher should assign the outlier to one of the four classes described earlier to assist in the retention or deletion decision to be made next. The researcher should continue this analysis until satisfied with understanding the aspects of the case that distinguish the outlier from the other observations.

RETENTION OR DELETION OF THE OUTLIER

After the outliers are identified, profiled, and categorized, the researcher must decide on the retention or deletion of each one. Many philosophies among researchers offer guidance as to how to deal with outliers. Our belief is that they should be retained unless demonstrable proof indicates that they are truly aberrant and not representative of any observations in the population. If they do portray a representative element or segment of the population, they should be retained to ensure generalizability to the entire population. As outliers are deleted, the researcher runs the risk of improving the multivariate analysis but limiting its generalizability. If outliers are problematic in a particular technique, many times they can be accommodated in the analysis in a way they do not seriously distort the analysis.

Q4 Explain PCA and discuss various assumptions, extraction criteria's for components in PCA

Sol: Principal Component Analysis is an unsupervised learning algorithm that is used for the dimensionality reduction in machine learning. It is a statistical process that converts the observations of correlated features into a set of linearly uncorrelated features with the help of orthogonal transformation. These new transformed features are called the **Principal Components**. It is one of the popular tools that is used for exploratory data analysis and predictive modeling. It is a technique to draw strong patterns from the given dataset by reducing the variances.

PCA generally tries to find the lower-dimensional surface to project the high-dimensional data.

PCA works by considering the variance of each attribute because the high attribute shows the good split between the classes, and hence it reduces the dimensionality. Some real-world applications of PCA are *image processing, movie recommendation system, optimizing the power allocation in various communication channels.* It is a feature extraction technique, so it contains the important variables and drops the least important variable.

The PCA algorithm is based on some mathematical concepts such as:

- Variance and Covariance
- Eigenvalues and Eigen factors

Some common terms used in PCA algorithm:

- **Dimensionality:** It is the number of features or variables present in the given dataset. More easily, it is the number of columns present in the dataset.
- **Correlation:** It signifies that how strongly two variables are related to each other. Such as if one changes, the other variable also gets changed. The correlation value ranges from -1 to +1. Here, -1 occurs if variables are inversely proportional to each other, and +1 indicates that variables are directly proportional to each other.
- **Orthogonal:** It defines that variables are not correlated to each other, and hence the correlation between the pair of variables is zero.
- **Eigenvectors:** If there is a square matrix M, and a non-zero vector v is given. Then v will be eigenvector if Av is the scalar multiple of v.
- **Covariance Matrix:** A matrix containing the covariance between the pair of variables is called the Covariance Matrix.

Assumptions

When you choose to analyse your data using PCA, part of the process involves checking to make sure that the data you want to analyse can actually be analysed using PCA. You need to do this because it is only appropriate to use PCA if your data "passes" four assumptions that are required for PCA to give you a valid result.

Assumption #1: You have multiple variables that should be measured at the continuous level (although ordinal variables are very frequently used).

Assumption #2: There needs to be a linear relationship between all variables. The reason for this assumption is that a PCA is based on Pearson correlation coefficients, and as such, there needs to be a linear relationship between the variables.

Assumption #3: You should have sampling adequacy, which simply means that for PCA to produce a reliable result, large enough sample sizes are required. There are a few methods to detect sampling adequacy: (1) the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy for the overall data set; and (2) the KMO measure for each individual variable

Assumption #4: Your data should be suitable for data reduction. Effectively, you need to have adequate correlations between the variables in order for variables to be reduced to a smaller number of components. The method used is Bartlett's test of sphericity.

Assumption #5: There should be no significant outliers.

Criteria for Extracting Factors

Determining the number of factors to extract in a factor analytic procedure means keeping the factors that account for the most variance in the data. Criteria for determining the number of factors are:

- Eigen values: Eigen value associated with a variate indicate the substantive importance of that factor. Therefore, it is logical to retain only factors with large eigenvalues and ignore those with relatively small eigenvalues.
- Scree Plot: Cattell's (1966) scree test.

Applications of Principal Component Analysis

- PCA is mainly used as the dimensionality reduction technique in various AI applications such **as computer vision, image compression, etc.**
- It can also be used for finding hidden patterns if data has high dimensions. Some fields where PCA is used are Finance, data mining, Psychology, etc.

Q5 What is Unsupervised learning methods. How it is different from supervised learning. Explain association rule learning

Sol: Unsupervised learning is a machine learning technique in which models are not supervised using training dataset. Instead, models itself find the hidden patterns and insights from the given data. It can be compared to learning which takes place in the human brain while learning new things. It can be defined as a type of machine learning in which models are trained using unlabeled dataset and are allowed to act on that data without any supervision. Unsupervised learning cannot be directly applied to a regression or classification problem because unlike supervised learning, we have the input data but no corresponding output data. The goal of unsupervised learning is to find the underlying structure of dataset, group that data according to similarities, and represent that dataset in a compressed format.

Supervised Learning	Unsupervised Learning
Supervised learning algorithms are trained using labeled data.	Unsupervised learning algorithms are trained using unlabeled data.
Supervised learning model takes direct feedback to check if it is predicting correct output or not.	Unsupervised learning model does not take any feedback.
Supervised learning model predicts the output.	Unsupervised learning model finds the hidden patterns in data.
In supervised learning, input data is provided to the model along with the output.	In unsupervised learning, only input data is provided to the model.
The goal of supervised learning is to train the model so that it can predict the output when it is given new data.	The goal of unsupervised learning is to find the hidden patterns and useful insights from the unknown dataset.
Supervised learning needs supervision to train the model.	Unsupervised learning does not need any supervision to train the model.
Supervised learning can be categorized in **Classification** and **Regression** problems.	Unsupervised Learning can be classified in **Clustering** and **Associations** problems.
Supervised learning can be used for those cases where we know the input as well as corresponding outputs.	Unsupervised learning can be used for those cases where we have only input data and no corresponding output data.
Supervised learning model produces an accurate result.	Unsupervised learning model may give less accurate result as compared to supervised learning.
Supervised learning is not close to true Artificial intelligence as in this, we first train	Unsupervised learning is more close to the true Artificial Intelligence as it learns

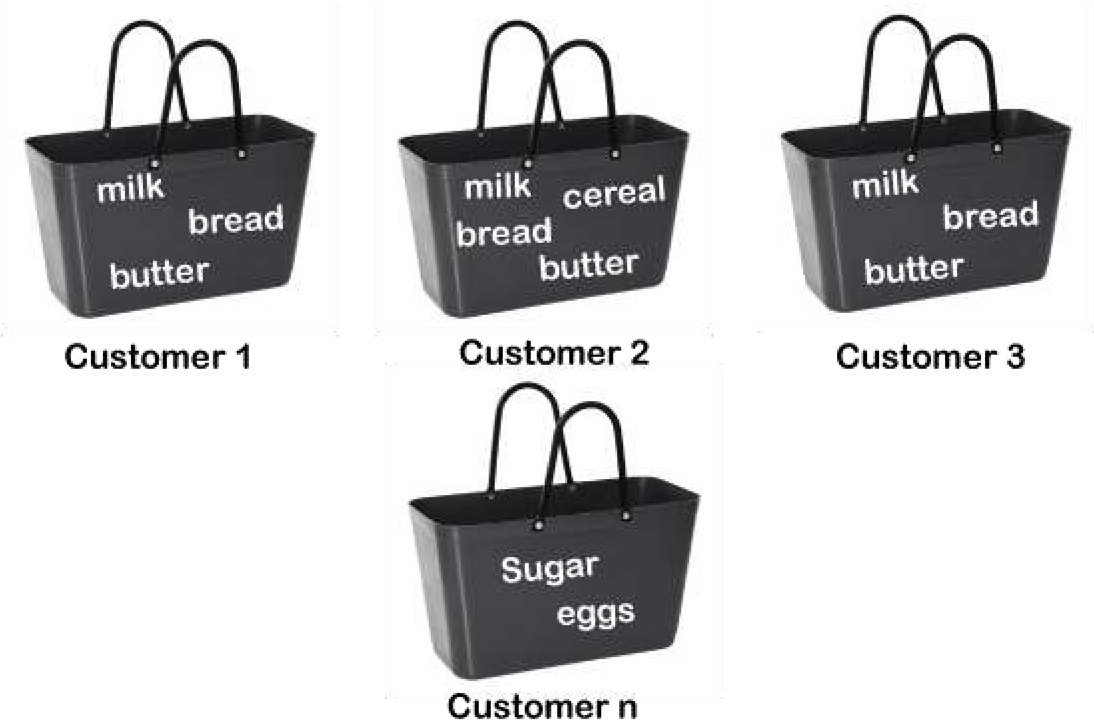
the model for each data, and then only it can predict the correct output.	similarly as a child learns daily routine things by his experiences.
It includes various algorithms such as Linear Regression, Logistic Regression, Support Vector Machine, Multi-class Classification, Decision tree, Bayesian Logic, etc.	It includes various algorithms such as Clustering, KNN, and Apriori algorithm.

Association Rule Learning

Association rule learning is a type of unsupervised learning technique that checks for the dependency of one data item on another data item and maps accordingly so that it can be more profitable. It tries to find some interesting relations or associations among the variables of dataset. It is based on different rules to discover the interesting relations between variables in the database.

The association rule learning is one of the very important concepts of machine learning, and it is employed in **Market Basket analysis, Web usage mining, continuous production, etc.** Here market basket analysis is a technique used by the various big retailer to discover the associations between items. We can understand it by taking an example of a supermarket, as in a supermarket, all products that are purchased together are put together.

For example, if a customer buys bread, he most likely can also buy butter, eggs, or milk, so these products are stored within a shelf or mostly nearby. Consider the below diagram:

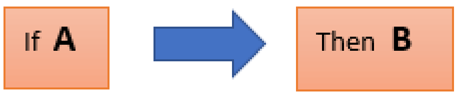


Association rule learning can be divided into three types of algorithms:

1. **Apriori**
2. **Eclat**
3. **F-P Growth Algorithm**

How does Association Rule Learning work?

Association rule learning works on the concept of If and Else Statement, such as if A then B.



Here the If element is called **antecedent**, and then statement is called as **Consequent**. These types of relationships where we can find out some association or relation between two items is known *as single cardinality*. It is all about creating rules, and if the number of items increases, then cardinality also increases accordingly. So, to measure the associations between thousands of data items, there are several metrics. These metrics are given below:

- **Support**
- **Confidence**
- **Lift**

Let's understand each of them:

Support

Support is the frequency of A or how frequently an item appears in the dataset. It is defined as the fraction of the transaction T that contains the itemset X. If there are X datasets, then for transactions T, it can be written as:

$$\text{Supp(X)} = \frac{Freq(X)}{T}$$

Confidence

Confidence indicates how often the rule has been found to be true. Or how often the items X and Y occur together in the dataset when the occurrence of X is already given. It is the ratio of the transaction that contains X and Y to the number of records that contain X.

$$\text{Confidence} = \frac{Freq(X,Y)}{Freq(X)}$$

Lift

It is the strength of any rule, which can be defined as below formula:

$$\text{Lift} = \frac{Supp(X,Y)}{Supp(X) \times Supp(Y)}$$

It is the ratio of the observed support measure and expected support if X and Y are independent of each other. It has three possible values:

- If **Lift= 1**: The probability of occurrence of antecedent and consequent is independent of each other.
- **Lift>1**: It determines the degree to which the two itemsets are dependent to each other.
- **Lift<1**: It tells us that one item is a substitute for other items, which means one item has a negative effect on another.

Q 6 Discuss logistic Regression? Give an example where logistic regression can be used? Define log – likelihood and odd ratio in logistic regression.

Sol: Logistic Regression: Logistic regression (LR) is a statistical technique for finding the existence of a relationship between a qualitative (discrete) dependent variable (or outcome variable) and several independent variables (aka explanatory variables or predictors). In LR, the primary objective is to find the conditional probability of occurrence of an event (class probability) given the values of several independent variables. LR is one of the most popular tools used for solving classification problems.

CLASSIFICATION PROBLEMS

Classification problems are an important category of problems in analytics in which the response variable (Y) takes a discrete value. In classification problems, the primary objective is to predict the class of a customer (or class probability) based on the values of explanatory variables or predictors. Few examples of classification problems are listed below:

1. A bank may like to classify their customers based on risk such as low-, medium- and high-risk customers under loan portfolio. Here the response variable Y takes 3 values (e.g., Y = 1 for low risk, Y = 2 for medium risk and Y = 3 for high risk).
2. An organization may like to predict the customers who are likely to churn (here Y takes two values, Y = 1 for churn and Y = 0 for do not churn).
3. Health service providers based on diagnostic tests may classify the patients as positive, that is presence of a disease (Y = 1) or negative, that is absence of a disease (Y = 0).

The Logistic Regression Model

The idea behind logistic regression is straightforward: Instead of using Y directly as the outcome variable, we use a function of it, which is called the logit. The logit, it turns out, can be modeled as a linear function of the predictors. Once the logit has been predicted, it can be mapped back to probability. To understand the logit, we take several intermediate steps: First, we look at p = P(Y = 1), the probability of belonging to class 1 (as opposed to class 0). In contrast to the binary variable Y , which only takes the values 0 and 1, p can take any value in the interval [0; 1]. However, if we express p as a linear function of the q predictors1 in the form

$$p = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_q x_q, \quad (1)$$

it is not guaranteed that the right-hand side will lead to values within the interval [0; 1]. The solution is to use a nonlinear function of the predictors in the form

$$p = \frac{1}{1 + e^{-(\beta_0 + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_q x_q)}}. \quad (2)$$

This is called the logistic response function. For any values x1,……., xq, the righthand side will always lead to values in the interval [0; 1]. Next, we look at a different measure of belonging to a certain class, known as odds. The odds of belonging to class 1 are defined as the ratio of the probability of belonging to class 1 to the probability of belonging to class 0:

$$\text{Odds}(Y = 1) = \frac{p}{1 - p}. \tag{3}$$

This metric is very popular in horse races, sports, gambling, epidemiology, and other areas. Instead of talking about the probability of winning or contracting a disease, people talk about the odds of winning or contracting a disease. How are these two different? If, for example, the probability of winning is 0.5, the odds of winning are 0:5/0:5 = 1. We can also perform the reverse calculation: Given the odds of an event, we can compute its probability by manipulating equation

$$p = \frac{\text{odds}}{1 + \text{odds}}. \tag{4}$$

Substituting (2) into (4), we can write the relationship between the odds and the predictors as

$$\text{Odds}(\text{Y} = 1) = e^{\beta_0 + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_q x_q}. \tag{5}$$

This last equation describes a multiplicative (proportional) relationship between the predictors and the odds. Such a relationship is interpretable in terms of percentages, for example, a unit increase in predictor Xj is associated with an average increase of $\beta_j \times 100\%$ in the odds (holding all other predictors constant). Now, if we take a natural logarithm2 on both sides, we get the standard formulation of a logistic model:

$$\log(\text{odds}) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_q x_q. \tag{6}$$

The log(odds), called the logit, takes values from $-\infty$ (very low odds) to 1 (very high odds) A logit of 0 corresponds to even odds of 1 (probability = 0.5). Thus, our final formulation of the relation between the outcome and the predictors uses the logit as the outcome variable and models it as a linear function of the q predictors.

Q 7 How Cluster analysis can be performed on structured and unstructured data? Explain KNN in detail

Cluster analysis - groups objects (respondents, products, firms, variables, etc.) so that each object is similar to the other objects in the cluster and different from objects in all the other clusters.

Cluster analysis is a group of multivariate techniques whose primary purpose is to group objects based on the characteristics they possess.

It has been referred to as Q analysis, typology construction, classification analysis, and numerical taxonomy.
The essence of all clustering approaches is the classification of data as suggested by "natural" groupings of the data themselves.

Objectives of cluster analysis

Cluster analysis is used for:
Taxonomy description – identifying natural groups within the data.
Data simplification – the ability to analyze groups of similar observations instead of all individual observations.
Relationship identification – the simplified structure from cluster analysis portrays relationships not revealed otherwise.
Theoretical, conceptual and practical considerations must be observed when selecting clustering variables for cluster analysis:
Only variables that relate specifically to objectives of the cluster analysis are included, since "irrelevant" variables can not be excluded from the analysis once it begins
Variables are selected which characterize the individuals (objects) being clustered.

Cluster analysis for Structure and un-structured data

Structured data are identifiable data, that they have some predefined structured. Numerical data, program code comes under structured dataset. Since they are stored in relational databases in form of rows and columns. Structured dataset is available in many fields such as organization data

PARTITIONED CLUSTERING In partitioned clustering, the objects in dataset are relocated by moving from one cluster to other based on some computational value. It is also known as the centroid based clustering method. In this method, the number of cluster should be predefined by the user. Namely a relocating method iteratively relocates points between the k-clusters. K-mean algorithm is the most popular algorithm in partitioned clustering

Unstructured data are data without identifiable structure. Audio, images and video files are unstructured data 90% of big data comprises of unstructured dataset

MODEL BASED CLUSTERING Model based clustering helps to optimize the fit between the given data and some mathematical model. It also describes the characteristics of each cluster. Where each group represents the class. Model based clustering is of two types:

- DECISION TREES In decision trees the leaf denotes the concepts and contains a probalistic description of that concept. Many algorithms are developed for unlabelled data. The well known algorithm is COBWEB

- NEURAL NETWORKS This type of algorithm represents each cluster by a neuron or "prototype". The input data is also represented by neurons, which are connected to the prototype neurons.SOM algorithm is used for neural network clustering

KNN Method

The fast simple and most popular partitioned clustering method is k-mean, developed by mac Queen in 1967.This method considers the mean value of the objects in the dataset, to form a cluster. It aim to partition n Observation into k-cluster in which each observation belongs to the cluster with the nearest mean.

The KNN algorithm assumes that similar things exist in close proximity. In other words, similar things are near to each other. KNN captures the idea of similarity (sometimes called distance, proximity, or closeness) . To select the K that's right for your data, we run the KNN algorithm several times with different values of K and choose the K that reduces the number of errors we encounter while maintaining the algorithm's ability to accurately make predictions when it's given data it hasn't seen before.

STEPS IN K-MEAN ALGORITHM

- Place k points into the space represented by the objects that are being clustered these points represent initial group centroids

- Assign each objects to the group that has the closest centroid

- When all objects have been assigned recalculate the position of the k-centroid

- Repeat step 2 and 3 until the centroid no longer move. This produces a separation of the objects into groups from which the metric to be minimized can be calculated.

A few Applications and Examples of KNN

Credit ratings — collecting financial characteristics vs. comparing people with similar financial features to a database. By the very nature of a credit rating, people who have similar financial details would be given similar credit ratings. Therefore, they would like to be able to use this existing database to predict a new customer's credit rating, without having to perform all the calculations.

Should the bank give a loan to an individual? Would an individual default on his or her loan? Is that person closer in characteristics to people who defaulted or did not default on their loans?

In political science — classing a potential voter to a "will vote" or "will not vote", or to "vote Democrat" or "vote Republican".
More advanced examples could include handwriting detection (like OCR), image recognition and even video recognition.

Q8 What is time series? Describe various time series patterns. How regression analysis is used for time series forecasting.

Sol: Time series analysis is a specific way of analyzing a sequence of data points collected over an interval of time. In time series analysis, analysts record data points at consistent intervals over a set period of time rather than just recording the data points intermittently or randomly. However, this type of analysis is not merely the act of collecting data over time.

What sets time series data apart from other data is that the analysis can show how variables change over time. In other words, time is a crucial variable because it shows how the data adjusts over the course of the data points as well as the final results. It provides an additional source of information and a set order of dependencies between the data.

Time series analysis typically requires a large number of data points to ensure consistency and reliability. An extensive data set ensures you have a representative sample size, and that analysis can cut through noisy data. It also ensures that any trends or patterns discovered are not outliers and can account for seasonal variance. Additionally, time series data can be used for forecasting—predicting future data based on historical data.

Time series patterns

Trend

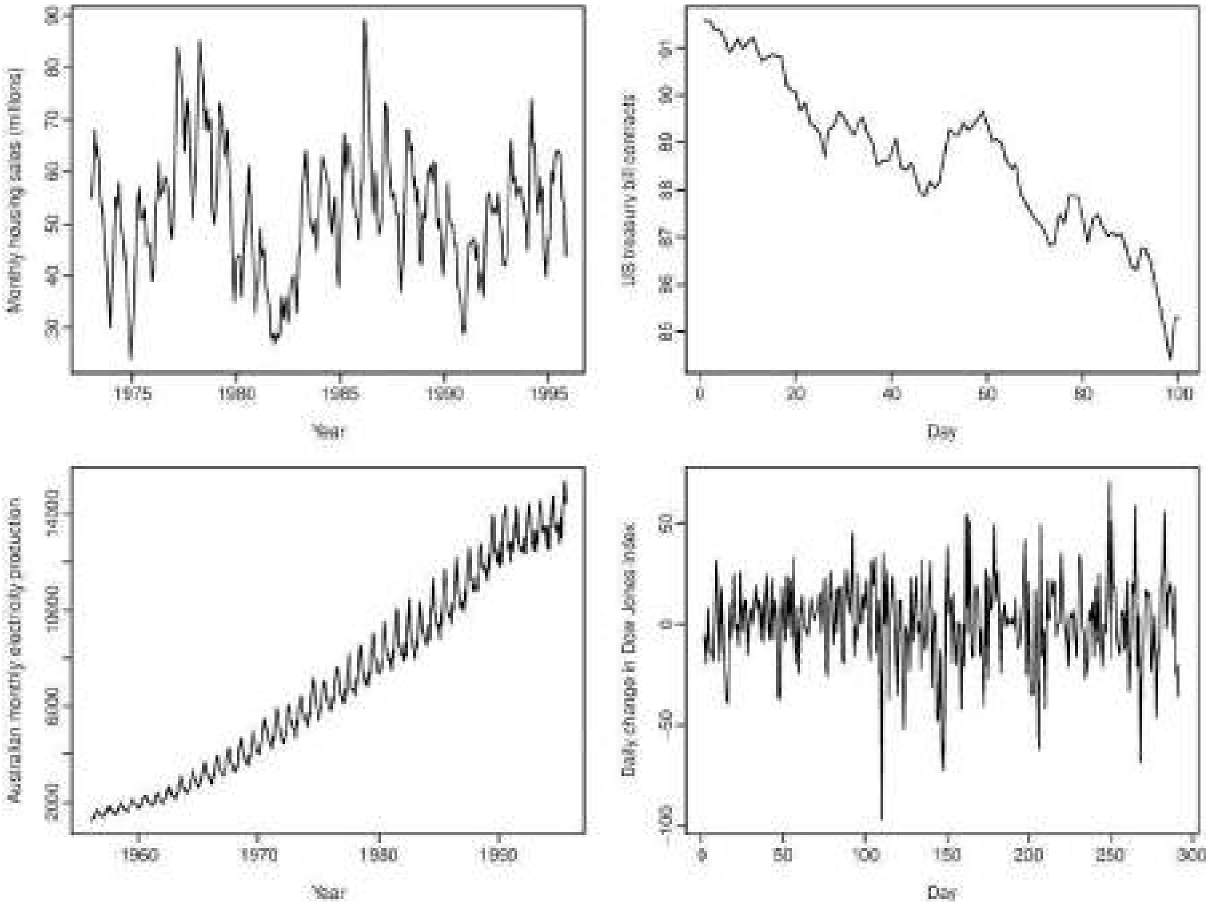
A trend exists when there is a long-term increase or decrease in the data. It does not have to be linear. Sometimes we will refer to a trend as "changing direction", when it might go from an increasing trend to a decreasing trend. There is a trend in the antidiabetic drug sales data shown in Figure**.**

Seasonal

A seasonal pattern occurs when a time series is affected by seasonal factors such as the time of the year or the day of the week. Seasonality is always of a fixed and known frequency. The monthly sales of antidiabetic drugs above show seasonality which is induced partly by the change in the cost of the drugs at the end of the calendar year.

Cyclic

A cycle occurs when the data exhibit rises and falls that are not of a fixed frequency. These fluctuations are usually due to economic conditions and are often related to the "business cycle". The duration of these fluctuations is usually at least 2 years.



Modelling Time Series Using Regression

Regression algorithms try to find the line of best fit for a given dataset. The linear regression algorithm tries to minimize the value of the sum of the squares of the differences between the observed value and predicted value. OLS regression has several underlying assumptions called Gauss-Markov assumptions. Gauss-Markov assumptions for cross-sectional data include the following:

1. The parameters (the value of the slope of the best fit line in a two-variable regression line, for example) should be linear.
2. X and Y should be random variables.
3. No perfect collinearity between multiple independent variables.
4. The covariance of the residual term and the independent variables should be 0, or in other words, the residual term is endogenous.
5. Homoscedasticity for the residual term, i.e. the variance in the residual term should not change with a change in the independent variable.
6. No autocorrelation in the residual terms.

For time series data, we cannot satisfy the assumption that independent variables are all random variables since different columns are coming from the same process. To compensate for that the assumptions on autocorrelation, homoscedasticity and endogeneity are more strict. A Durbin-Watson value greater than 2 suggests that our series has no autocorrelation. Checking for normality can be done with the following tests: Jarque-Bera test/ Shapiro-Wilk test/ Koglomorov-Smirnov test. For heteroscedasticity, we will use the following tests: Breusch-Pagan test/ White Test.

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BCOM-I

Model Test Paper

FINANCIAL ACCOUNTING (BCOM 101)

Q.1.Explain the following:

a) Trade discount and Cash discount
b) Vouchers
c) Ind AS
d) Trial Balance
e) Bank Reconciliation Statement
f) Convention of Conservatism
g) Money Measurement

Answer:

a) Trade discount and Cash discount

Businesses all over the world use a tried and tested process of increasing sales of the products by offering discounts. Discount results in the reduction of the selling price of the product, which makes it more attractive for the customer.
Reduction in price makes a psychological impact on the customer which results in the purchase. The two types of discount offered are trade discount and cash discount.

Meaning of Trade Discount

Trade discount is referred to as the discount that is offered by a seller to the buyer of the product in the form of reduction in the price of the item. Trade discounts are offered to increase the sales of the product and make the customers feel that they are getting the best offer. No accounts are maintained for keeping track of the discounts that are offered.

Meaning of Cash Discount

Cash discount is referred to as the discount that is offered by the seller of a product to the buyer at the time of payment for the purchase. This reduction is provided at the value of the invoice.Cash discount is offered to make the customer or the buyer pay for the product promptly, it helps the business in reducing or avoiding the credit risk completely.

b)Vouchers

It is a written instrument that serves to confirm or witness (vouch) for some fact such as a transaction. Commonly, a voucher is a document that shows goods have bought or services have been rendered, authorizes payment, and indicates the ledger account(s) in which these transactions have to be recorded.

Types of Voucher -

(i) Receipt Voucher

(ii) Payment Voucher

(iii) Non-Cash or Transfer Voucher

(iv) Supporting Voucher

(i) Receipt Voucher

Receipt voucher is used to record cash or bank receipt.

(ii) Payment Voucher

Payment voucher is used to record a payment of cash or cheque. Payment vouchers are of two types. i.e.

(a) Cash Payment voucher – it denotes payment of cash

(b) Bank Payment voucher – it indicates payment by cheque or demand draft.

(iii) Non Cash Or Transfer Voucher

These vouchers are used for non-cash transactions as documentary evidence. e.g., Goods sent on credit.

(iv) Supporting Vouchers

These vouchers are the documentary evidence of transactions that have happened.

Source Documents

Vouchers are the documentary evidence of the transactions so happened. Source documents are the basis on which transactions are recorded in subsidiary books i.e. source documents are the evidence and proof of transactions.

c)Ind AS

Ind AS or Indian Accounting Standards govern the accounting and recording of financial transactions as well as the presentation of statements such as balance sheet and profit and loss account of a company in India.

Companies, especially in the west and the developed world, follow the International Financial Reporting Standards (IFRS) for their accounts.

The Ind AS was prescribed as a result of calls for Indian accounting standards to be on par with the globally accepted standards, the IFRS.

The Ind AS was issued under the supervision and control of the Accounting Standards Board (ASB). The ASB was constituted in 1977 by the Institute of Chartered Accountants of India (ICAI) to harmonize the varied accounting policies and practices.

The Companies Act mandates the balance sheets and income statements of all companies to comply with the accounting standards. Many companies in India had resisted the imposition of the IFRS stating that the move would result in too many changes to the way their numbers were captured and reported.

The Ind AS was formulated as a compromise formula that tries to harmonise Indian accounting rules with the IFRS.

d) Trial Balance

After the transactions are posted to various ledger accounts (either from journal or from subsidiary books) and they are balanced, the next stage is to draw up the list of all balances. We know that some ledger accounts will show 'debit balance' (debit side greater than the credit side), while the other will reflect a 'credit balance' (credit side being higher than debit side). All account balances are listed to ensure that the total of all debit balances equals the total of all credit balances. Why does this happen? Remember the dual aspect concept. According to this concept, every debit has equal corresponding credit. This list of balances is called Trial Balance.

According to the Dictionary for Accountants by Eric. L. Kohler, Trial Balance is defined as "a list or abstract of the balances or of total debits and total credits of the accounts in a ledger, the purpose being to determine the equality of posted debits and credits and to establish a basic summary for financial statements".

As this is merely a listing of balances, this will always be as on a particular date. Further it must be understood that Trial Balance does not form part of books of account, but it is a report prepared by extracting balances of accounts maintained in the books of accounts. When this list with tallied debit and credit balances is drawn up, the arithmetical accuracy of basic entries, ledger posting and balancing is ensured. However, it does not guarantee that the entries are correct in all respect. This will be explained later in this chapter. Although it is supposed to be prepared at the end of accounting period, computerized accounting packages are capable of providing instant Trial Balance reports even on daily basis, as the transactions are recorded almost on line

e) Bank Reconciliation Statement

- Bank Reconciliation Statement (BRS) is a statement that is prepared by a firm to reconcile the balances as per cash book prepared by the firm and the balances as per pass book recorded by the bank.
- The need for bank reconciliation statements arise from the fact that many times there is a difference in both the balances.

Causes of Differences in Balance:

- Difference in timings for recording the transaction
- Errors made by bank or firm while recording the transaction.

Benefits of Bank Reconciliation Statement:

- Helps in tracking errors.
- Helps terminate the risks of fraud.
- Helps in tracking transaction status periodically.
- Helps in achieving accurate balance.

Preparation of Bank Reconciliation Statement:

- A BRS is prepared by taking either the balance of Pass book or Cash Book as a starting point.
- Bank records all the deposits in the credit and withdrawals in the debit side of the Pass book.
- Tally the debit side of the cash book and the credit side of the pass book and vice-versa and note the point of differences.

f) Convention of Conservatism

This accounting convention is generally expressed as to "anticipate all the future losses and expenses, without considering the future incomes and profits unless they are actually realized." The conservatism concept is a concept in accounting which refers to the idea that expenses and liabilities should be recognised as soon as possible in a situation where there is uncertainty about the possible outcome and in contrast record assets and revenues only when they are assured to be received. This concept emphasizes that profits should never be overstated or anticipated.

This convention generally applies to the valuation of current assets as they are valued at cost or market price whichever is lower. The conservatism principle can also be applied to recognizing estimates. For example, if the collections staff believes that a cluster of receivables will have a 2% bad debt percentage because of historical trend lines, but the sales staff is leaning towards a higher 5% figure because of a sudden drop in industry sales, use the 5% figure when creating an allowance for doubtful accounts, unless there is strong evidence to the contrary.

g)Money measurement concept

The money measurement concept states that a business should only record an accounting transaction if it can be expressed in terms of money. This means that the focus of accounting transaction is on quantitative information, rather than on qualitative information. Thus, a large number of items are never reflected in a company's accounting records, which means that they never appear in its financial statements. Examples of items that cannot be recorded as accounting transactions because they cannot be expressed in terms of money include:

1. Employee skill level
2. Employee working conditions
3. Expected resale value of a patent
4. Value of an in-house brand
5. Product durability

The key flaw in the money measurement concept is that many factors can lead to long-term changes in the financial results or financial position of a business (as just noted), but the concept does not allow them to be stated in the financial statements.

Q.2.What is Financial Accounting? State its nature. Explain the accounting cycle.

Answer: Accounting is a very old concept – as old as money. A description of proper keeping of accounts is also found in 'Arthashastra" written by Kautilya. However, it has developed with the passage of time to meet the requirements and challenges of ever – growing society. The modern-day accounting concept based on double entry system was originated by Luco Pacioli in Italy. Though the act of accounting is very old, in recent times it has acquired special significance because of rapidly growing economy, cut-throat competition, expanding markets and increasing production and changes in technology. Accounting is used by business entities for keeping records of their monetary or financial transactions. A businessman who has invested money in his business would like to know whether his business is making a profit or incurring a loss, the position of his assets and liabilities and whether his capital in the business has increased or decreased during a particular period.

Accounting is a process of identifying financial transactions, measuring them in monetary terms, and recording, classifying, summarizing, analyzing, interpreting them and communicating the results to the users.

The American Accounting Association (AAA) defined accounting as

- ‘the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of information’.

The nature of financial accounting :

Identifying monetary transactions – First, the transaction has to take place and be identified so that it can be accounted for. To identify financial transactions, store and check the receipts and bills of every transaction is a must. Sometimes, the exchange of money is not directly involved, but it still needs to be identified. This involves depreciation in the value of goods over time, which forms an important aspect of financial accounting.

Measuring and recording transactions – The value of transactions has to be measured in terms of money and those concerned with revenues and expenditures need to be recorded. The recording is done in journals.

Classifying payments – The huge data needs to be classified in a record known as a ledger. For example, all salary-related expenses can be classified under one column. Leasing related data can be classified in another column and so on.

Summarisation – The larger the corporation, the more complicated the record. Hence, the record needs to be summarised in a form where it can be easily comprehended.

Analysing, interpretation, and communication: The summarised data needs to be analysed well and interpreted so that it can be communicated to the concerned stakeholders so that they have the full knowledge of the company’s financial position.

ACCOUNTING CYCLE

The accounting cycle is the holistic process of recording and processing all financial transactions of a company, from when the transaction occurs, to its representation on the financial statements, to closing the accounts. One of the main duties of a bookkeeper is to keep track of the full accounting cycle from start to finish. The cycle repeats itself every fiscal year as long as a company remains in business. The accounting cycle incorporates all the accounts, journal entries, T accounts, debits, and credits, adjusting entries over a full cycle.

Steps In The Accounting Cycle

STEP I - TRANSACTIONS:

Financial transactions start the process. If there were no financial transactions, there would be nothing to keep track of. Transactions may include a debt payoff, any purchases or acquisition of assets, sales revenue, or any expenses incurred.

STEP II - JOURNAL ENTRIES –

With the transactions set in place, the next step is to record these entries in the company's journal in chronological order. In debiting one or more accounts and crediting one or more accounts, the debits and credits must always balance.

STEP III - Posting to the General Ledger (GL):

The journal entries are then posted to the general ledger where a summary of all transactions to individual accounts can be seen.

STEP IV - TRIAL BALANCE:

At the end of the accounting period (which may be quarterly, monthly, or yearly, depending on the company), a total balance is calculated for the accounts.

STEP V - WORKSHEET :

When the debits and credits on the trial balance don't match, the bookkeeper must look for errors and make corrective adjustments that are tracked on a worksheet

STEP VI - ADJUSTING ENTRIES:

At the end of the company's accounting period, adjusting entries must be posted to accounts for accruals and deferrals.

STEP VII - Financial Statements:

The balance sheet, income statement, and cash flow statement can be prepared using the correct balances.

STEP VIII - Closing:

The revenue and expense accounts are closed and zeroed out for the next accounting cycle. This is because revenue and expense accounts are income statement accounts, which show performance for a specific period. Balance sheet accounts are not closed because they show the company's financial position at a certain point in time.

Q.3. On 1st January, 2006, the following were the ledger balances of Rajan & Co.: Cash in hand Rs. 900; Cash at bank Rs. 21,000; Soni (Cr.) Rs. 3,000; Zahir (Dr.) Rs. 2,400; Stock Rs. 12,000; Prasad (Cr.) Rs. 6,000; Sharma (Dr.) Rs. 4,500; Lall (Cr.) Rs. 2,700; Ascertain capital. Transactions during the month were:

Date		*Particulars*	*Rs.*
2006			
Jan.	2	Bought goods of Prasad	2,700
,,	3	Sold to Sharma	3,000
,,	5	Bought goods of Lall for cash payment made by cheque	3,600
,,	7	Took goods for personal use	200
,,	13	Received from Zahir in full settlement	2,350
,,	17	Paid to Soni in full settlement	2,920
,,	22	Paid cash for stationery	50
,,	29	Paid to Prasad by cheque	2,650
		Discount allowed by him	50
,,	30	Provide interest on capital	100
,,	30	Rent due to landlord	200

Journalise the above transactions and post to the Ledger and prepare a Trial Balance.

Solution:

JOURNAL

Date	Particulars		L.F.	Debit Rs.	Credit Rs.
2006 Jan. 1	Cash A/c	Dr.		900	
	Bank A/c	Dr.		21,000	
	Zahir	Dr.		2,400	
	Stock	Dr.		12,000	
	Sharma	Dr.		4,500	
	To Soni				3,000
	To Prasad				6,000
	To Lall				2,700
	To Capital A/c				29,100
	(Balances brought forward from last year)				
" 2	Purchases A/c	Dr.		2,700	
	To Prasad				2,700
	(Purchase of goods)				
" 3	Sharma	Dr.		3,000	
	To Sales A/c				3,000
	(Sold goods to Sharma)				
" 5	Purchases A/c	Dr.		3,600	
	To Bank A/c				3,600
	(Bought goods from Lall for cash, paid by cheque)				
" 7	Drawings A/c	Dr.		200	
	To Purchases A/c				200
	(Took goods for personal use)				
Jan. 13	Cash A/c	Dr.		2,350	
	Discount A/c	Dr.		50	
	To Zahir				2,400
	(Received in full settlement)				
" 17	Soni	Dr.		3,000	
	To Cash A/c				2,920
	To Discount A/c				80
	(Paid in full settlement and earned discount)				
" 22	Stationery A/c	Dr.		50	
	To Cash A/c				50
	(Paid for stationery)				
" 30	Interest on Capital A/c	Dr.		100	
	To Capital A/c				100
	(Interest on capital provided)				
" 30	Rent A/c	Dr.		200	
	To Outstanding Rent A/c				200
	(Rent due to landlord)				

Ledger

Dr. CASH ACCOUNT Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
2006			2006		
Jan. 1	To Balance b/d	900	Jan. 5	By Soni	2,920
,, 13	To Zahir	2,350	,, 22	By Stationery A/c	50
			,, 31	By Balance c/d	280
		3,250			3,250

BANK ACCOUNT

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 1	To Balance c/d	21,000	Jan. 5	By Purchases	3,600
			,, 29	By Prasad	2,650
			,, 31	By Balance c/d	14,750
		21,000			21,000

Dr. ZAHIR Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 1	To Balance b/d	2,400	Jan. 13	By Cash A/c	2,350
			,, 13	By Discount A/c	50
		2,400			2,400

Dr. STOCK ACCOUNT Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 1	To Balance b/d	12,000	Jan. 31	By Balance c/d	12,000
		12,000			12,000

SHARMA

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 1	To Balance b/d	4,500	Jan. 31	By Balance c/d	7,500
" 3	To Sales A/c	3,000			
		7,500			7,500

SONI

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 17	To Cash A/c	2,920	Jan. 1	By Balance b/d	3,000
	To Discount A/c	80			
		3,000			3,000

PRASAD

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 29	To Bank A/c	2,650	Jan. 1	By Balance b/d	6,000
„ 29	To Discount A/c	50	„ 2	By Purchase A/c	2,700
„ 31	To Balance c/d	6,000			
		8,700			8,700

LALL

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 31	To Balance c/d	2,700	Jan. 1	By Balance b/d	2,700
		2,700			2,700

CAPITAL ACCOUNT

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 31	To Balance c/d	29,200	Jan. 1	By Balance b/d	29,100
			„ 30	By Interest on Capital A/c	100
		29,200			29,200

Dr. PURCHASES ACCOUNT Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 2	To Prasad	2,700	Jan. 7	By Drawings A/c	200
„ 5	To Bank A/c	3,600	„ 31	By Balance c/d	6,100
		6,300			6,300

SALES ACCOUNT

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 31	To Balance c/d	3,000	Jan. 3	By Sharma	3,000
		3,000			3,000

DRAWINGS ACCOUNT

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 7	To Purchases A/c	200	Jan. 31	By Balance c/d	200
		200			200

DISCOUNT RECEIVED ACCOUNT

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 31	To Balance c/d	130	Jan. 17	By Soni	80
				By Prasad	50
		130			130

DISCOUNT ALLOWED ACCOUNT

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 13	To Zahir	50	Jan. 31	By Balance c/d	50
		50			50

STATIONERY ACCOUNT

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 22	To Cash A/c	50	Jan. 31	By Balance c/d	50
		50			50

INTEREST ON CAPITAL ACCOUNT

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 30	To Capital A/c	100	Jan. 31	By Balance c/d	100
		100			100

Dr. RENT ACCOUNT Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 30	To Outstanding Rent A/c	200		By Balance c/d	200
		200			200

OUTSTANDING RENT ACCOUNT

Date	Particulars	Rs.	Date	Particulars	Rs.
Jan. 31	To Balance c/d	200	Jan. 30	By Rent A/c	200
		200			200

TRIAL BALANCE

(as on 31st January, 1996)

Particulars	Dr. Rs.	Cr. Rs.
Cash Account	280	
Bank Account	14,750	
Stock Account	12,000	
Sharma	7,500	
Prasad		6,000
Lall		2,700
Capital Account		29,200
Purchases Account	6,100	

Sales Account		3,000
Drawings Account	200	
Discount Allowed Account	50	
Discount Received Account		130
Stationery Account	50	
Interest on Capital Account	100	
Rent Account	200	
Outstanding Rent Account		200
	41,230	41,230

Q.4. The following trial balance is extracted from the books of a merchant on 31st December 2022:

Particulars	Dr. (Rs.)	Cr. (Rs.)
Furniture and Fittings	640	
Motor Vehicles	6,250	
Buildings	7,500	
Capital Account		12,500
Bad Debts	125	
Provisions for Bad Debts		200
Sundry Debtors and Creditors	3,800	2,500
Stock on January 1, 2022	3,460	
Purchases and Sales	5,475	15,450
Bank Overdraft		2,850
Sales and Purchases Returns	200	125
Advertising	450	
Interest (on Bank Overdraft)	118	
Commission		375
Cash	650	
Taxes and Insurance	1,250	
General Expenses	782	
Salaries	3,300	
	34,000	34,000

The following adjustments are to be made:

a) Stock in hand on 31st December 2022 was Rs. 3,250.
b) Depreciate Buildings at the rate of 5%, Furniture & Fittings @ 10% and Motor Vehicles @ 20%
c) Rs. 85 is due for interest on bank overdraft.
d) Salaries Rs. 300 and Taxes Rs. 120 are outstanding.

e) Insurance amounting to Rs. 100 is prepaid.
f) One-third of the commission received is in respect of work to be done next year.
g) Write off a further sum of Rs. 100 as bad debt and provision for bad debts to be made equal to 10 percent on sundry debtors.

Prepare a Trading and Profit & Loss Account for the year ending 31st December 2022 and Balance Sheet as on the date.

Solution:

Trading and Profit &Loss Account
(For the year ending 31st December 2022)

Particulars		Amount	Particulars		Amount
To opening stock		3460	By Sales	15,450	
To purchases	5475		Less: returns	200	15,250
Less: returns	125	5350	By closing stock		3,250
To Gross profit		**9690**			
To baddebts	125		By Gross profit		9690
(+)Further baddebts			By Commission	375	
Written off	100		(-)received in advance	125	250
(+)5% provision for					
doubtful debts	185				
	410				
(-)old provision for					
doubtful debts	200	210			
To advertising		450			
To interest on Bank					
Overdraft	118				
(+)outstanding	85	203			
To general expenses		1250			
To salaries	3300				
(+)outstanding	300	3600			
To taxes & insurance	782				
(+)outstanding taxes	200				
	982				
(-)Prepaid insurance					
premium	100	882			
To depreciation:					
Buildings @ 5%	375				
Furniture @ 10%	64				
Motor vehicles @ 20%	1250	1689			
To Net profit		**1656**			
		9940			**9940**

Balance Sheet
(As at 31st December,2022)

Liabilities	Amount	Assets	Amount
Capital 12500		Furniture & fixtures 640	
(+)Net profit 1656	14156	(-) depreciation 64	576
Sundry creditors	2500	Motor vehicles 6250	
Bank overdraft	2850	(-) depreciation 1250	5000
Outstanding salaries	300	Buildings 7500	
Outstanding taxes	200	(-) depreciation 375	7125
Outstanding interest on		Sundry debtors 3800	
bank overdraft	85	(-)baddebts writtenoff 100	
Commission received in	125	3700	
advance		(-)5% new provision 185	3515
		Cash	650
		Closing stock	3250
		Prepaid insurance premium	100
	20,216		**20,216**

Q.5.

Cash Book shows a balance of ₹ 12,500. On comparing the Cash Book with the Pass Book, following discrepancies were noted:

		₹
(i)	Cheques issued but not yet presented for payment.	8,000
(ii)	Cheques deposited in the bank but not collected.	9,000
(iii)	Bank paid insurance premium.	5,000
(iv)	Bank charges.	300
(v)	Directly deposited by a customer.	8,000
(vi)	Interest on investment collected by bank.	2,000
(vii)	Cash discount allowed of ₹ 200 was recorded on the debit side of the Bank column.	

Prepare Bank Reconciliation Statement.

Solution :

Bank Reconciliation Statement

S. No.	Particulars	Plus Items (Rs)	Minus Items (Rs)
	Balance as per the Cash Book	12,500	
(i)	Cheques Issued but not yet presented for payment	6,000	
(ii)	Cheques deposited into bank but not collected		9,000
(iii)	Bank paid Insurance Premium		5,000
(iv)	Bank Charges		300
(v)	Amount directly deposited by a customer	8,000	
(vi)	Interest on Investment Collected by bank	2,000	
(vii)	Cash discount debited to bank column		200
	Balance as per the Pass Book		14,000
		28,500	28,500

Q.6.

Prepare Two Column Cash Book from the following transactions and balance the book on 31st Jan., 2014:-

2014	
Jan. 1	Cash in hand ₹ 50,000; Bank overdraft ₹ 1,90,000.
Jan. 2	Purchased goods from Rajesh Kumar of the list price of ₹ 50,000 at 5% trade discount and payment made by cheque.
Jan. 6	Goods sold for ₹ 80,000 and payment received by cheque. Cheque deposited into Bank on same day.
Jan. 10	Goods purchased for cash ₹ 19,800.
Jan. 15	Furniture sold for ₹ 1,77,000 and payment received by cheque & cheque deposited into Bank on same day.
Jan. 18	Salaries paid ₹ 4,500.
Jan. 21	Settled the amount due to Ram ₹ 2,000 by paying cash ₹ 1,910.
Jan. 22	Cash received from Jai ₹ 14,780 in full settlement of his account of ₹ 15,000.
Jan. 23	Paid Life Insurance premium ₹ 1,500.
Jan. 31	Deposited with bank the entire balance after retaining ₹ 7,000 cash in hand.

Solution:

Cash Book

Dr. Cr.

Date	Particulars	L.F.	Cash (₹)	Bank (₹)	Date	Particulars	L.F.	Cash (₹)	Bank (₹)
2014					2014				
Jan 01	Balance b/d		50,000		Jan 01	Balance b/d			1,90,000
Jan 06	Sales A/c			80,000	Jan 02	Purchases A/c			47,500
Jan 15	Furniture A/c			1,77,000	Jan 10	Purchases A/c		19,800	
Jan 22	Jai A/c		14,780		Jan 18	Salaries A/c		4,500	
Jan 31	Cash A/c			30,070	Jan 21	Ram A/c		1,910	
					Jan 23	Drawings A/c		1,500	
					Jan 31	Bank A/c		30,070	
					Jan 31	Balance c/d		7,000	49,570
			64,780	**2,87,070**				**64,780**	**2,87,070**

Q.7

The Balance Sheets of a firm as on 31st December 2008 and 2009 are given below:

Liabilities	2008	2009	Assets	2008	2009
Share Capital	1,00,000	1,60,000	Fixed Assets - Cost	1,52,000	2,00,000
Retained Earnings	70,250	85,300	Inventory	93,400	89,200
Accumulated Depreciation	60,000	40,000	Debtors	30,800	21,100
12% Debenture	50,000	-	Prepaid expenses	3,950	3,000
Creditors	28,000	48,000	Bank	28,100	20,000
	3,08,250	**3,33,300**		**3,08,250**	**3,33,300**

Additional Information:

1. Net profit is Rs. 27,050.
2. Depreciation charged Rs. 10,000.
3. Cash dividend declared during the period Rs. 12,000.
4. An addition to the building was made during the year at a cost of Rs. 78,000 and fully depreciated equipment costing Rs. 30,000 was discarded as no salvage being realized.

Prepare a Cash Flow Statement.

Solution:

Adjusted Profit & Loss Account

Particular	Amount	Particular	Amount
To Prov. for depreciation	10,000	By Balance b/d	70,250
To Dividend	12,000		
To Balance c/d	85,300	By Adj. Profit	37,050
	1,07,300		1,07,300

Fixed Assets Account

Particular	Amount	Particular	Amount
To Balance b/d	1,52,000	By Accumulated Dep.	30,000
To Bank	78,000	By Balance c/d	2,00,000
	2,30,000		2,30,000

Accumulated Depreciation Account

Particular	Amount	Particular	Amount
To Fixed Assets	30,000	By Balance b/d	60,000
To Balance c/f	40,000	By Profit & Loss A/c.	10,000
	70,000		70,000

Cash flow statement for the year ending on 31.12.09 (As per A. S. - 3)

Particulars	Amount Rs.	Amount Rs.
(1) Cash Flow from Operating Activities:		
Profit before tax (after non-cash & extraordinary items)		37,050
Add/Less: Changes in Working Capital		
- Dec. in Inventory	4,200	
- Decrease in Debtors	9,700	
- Increase in Creditors	20,000	
- Decrease in pre-paid expenses	950	34,850
Cash flows from operating activities		**71,900**
Less: Tax Paid		Nil
NET CASH FLOW FROM OPERATING ACTIVITES (A)		**71,900**
(2) Cash Flow from Investing Activities:		
- Purchase of Building	(78,000)	
NET CASH FLOW FROM INVESTING ACTIVITES (B)		**(78,000)**
(3) Cash Flow from Financing Activities:		
- Issued Equity Shares	60,000	
- Dividend paid	(12,000)	
- Redemption of debenture	(50,000)	
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		**(2,000)**
NET CASH FLOW FROM ALL ACTIVITES (A+B+C)		**(8,100)**
Add: Opening Cash and Bank Balance		28,100
Closing Cash and Bank Balance		**20,000**

Q.8. The following are the details regarding the receipts and issues of material X in respect of a firm.

Receipts:	Jan. 1	Balance 50 units @ 4 per unit
	Jan. 5	Purchase Order No. 10, 40 units @ ₹3 per unit
	Jan. 8	Purchase Order No. 12, 30 units @ ₹4 per unit
	Jan. 15	Purchase Order No. 11, 20 units @ ₹5 per unit
	Jan. 26	Purchase Order No. 13, 40 units @ ₹3 per unit
Issues:	Jan. 10	Material Requisition No. 4, 70 units
	Jan. 12	Material Requisition No. 5, 10 units
	Jan. 20	Material Requisition No. 6, 20 units
	Jan. 24	Material Requisition No. 7, 10 units
	Jan. 31	Shortage 5 units

The firm follows the perpetual inventory system for maintaining its stores records. You are required to calculate the value of inventory on Jan. 31 according to : (i) FIFO, (ii) LIFO

Solution:

(i)

Stores Ledger Card (FIFO)

MATERIAL *X*

Date	*Receipts*				*Issues*				*Balance*	
Jan.	*Ref.*	*Qty. units*	*Rate* ₹	*Amt.* ₹	*Ref.*	*Qty. units*	*Rate* ₹	*Amt.* ₹	*Qty. units*	*Amt.* ₹
1	Balance	50	4	200	....	....	....	....	50	200
5	P.O.No.10	40	3	120	....	....	....	....	90	320
8	P.O.No.12	30	4	120	....	....	....	....	120	440
10	...	...	...		M.R. No. 4	50 20	4 3	200 60	50	180
12	...	...	...	...	M.R. No. 5	10	3	30	40	150
15	P.O.No.11	20	5	100	...	...	...	...	60	250
20	... ...				M.R. No. 6	10 10	3 4	30 40	40	180
24					M.R. No. 7	10	4	40	30	140
26	P.O.No.13	40	3	120	...	...	...	...	70	260
31	...	...	...	...	Shortage	5	4	20	65	240*

* The stock consists of:

40 units	purchased on Jan. 26	@ ₹3 per unit	=	₹120
20 units	purchased on Jan. 15	@ ₹5 per unit	=	100
5 units	purchased on Jan. 8	@ ₹4 per unit	=	20
			Total	240

(ii) **Stores Ledger Card (LIFO)**

MATERIAL *X*

Date	Receipts				Issues				Balance	
Jan.	Ref.	Qty. units	Rate ₹	Amt. ₹	Ref.	Qty. units	Rate ₹	Amt. ₹	Qty. units	Amt. ₹
1	Balance	50	4	200	...	...	...	...	50	200
5	P.O.No.10	40	3	120	...	...	...	...	90	320
8	P.O.No.12	30	4	120	...	...	...	...	120	440
10	...	...	...	...	M.R. No.4	30 40	4 3	120 120	50	200
12	...	...	...	...	M.R. No.5	10	4	40	40	160
15	P.O.No.11	20	5	100	...	...	...	...	60	260
20	...	...	...	...	M.R. No.6	20	5	100	40	160
24	...	...	...	...	M.R. No.7	10	4	40	30	120
26	P.O. No.13	40	3	120	...	...	...	...	70	240
31	...	...	...	...	Shortage	5	3	15	65	225*

* The stock consists of:

	₹
30 units of the balance on Jan. 1 @ 4 =	120
35 units of the balance on Jan. 26 @ 3 =	105
	225

Q.9.What is Green Accounting? How can it be used as a means to discharge social responsibility by a company? Discuss.

Answer: Green accounting, also known as environmental accounting or sustainable accounting, is an accounting framework that integrates environmental and social factors into the traditional economic indicators. The purpose of green accounting is to provide a more comprehensive measure of economic performance that takes into account the impact of business activities on the environment and society. It goes beyond traditional financial accounting by considering the depletion of natural resources, environmental degradation, and social well-being.The Green accounting system is a type of accounting that attempts to factor environmental costs into the financial results of operations. It has been argued that gross domestic product ignores the environment and therefore policymakers need a revised model that incorporates green accounting. The term was first brought into common usage by economist and Professor Peter Wood in the 1980s. India’s former Environment Minister Mr. Jairam Ramesh first time stressed the need and importance to bring Green Accounting practices to the forefront of accounting in India.

<u>What is Objectives of Green Accounting System?</u>

The objectives of green accounting system are discussed below:

1. To identify that part of the gross domestic product that reflects the costs necessary to compensate for the negative impacts of economic growth, that is, the defensive expenditures.

2. To established the linkage of Physical Resource Accounts with Monetary Environmental Accounts

3. To assessment of Environmental Costs and Benefits

4. To accounting for the Maintenance of Tangible resources

5. To elaborate and Measurement of Indicators of Environmentally Adjusted Product and Income

What is the importance of Green Accounting System?

Changes in the environment have a negative bearing on not just the Environment but on the economy as a whole. And, it is a well-known fact that changes in the economy have a direct bearing on the changes in any business. It is also important to note that the Gross domestic product of a country can be affected by the environmental and climatic change.

Therefore, it is the best tool for the businesses to understand and manage the potential quid pro quo between traditional economic goals and environmental goals. It also increases the important information available for analysing policy issues, especially when those vital pieces of information are often overlooked.

Hence, we can say that it is necessary for understanding of "better lose the saddle than horse", enterprises designing their accounting system organizations without taking environmental costs into consideration should fulfil this requirement as soon as possible.

Using green accounting as a means to discharge social responsibility involves several key aspects:

Environmental Impact Assessment:

Companies can conduct a comprehensive assessment of their environmental impact. This involves quantifying the use of natural resources, emissions, waste generation, and other environmental effects associated with their operations.

Resource Management:

Green accounting encourages companies to adopt sustainable resource management practices. This involves minimizing resource consumption, optimizing energy use, and reducing waste generation.

Cost-Benefit Analysis of Environmental Initiatives:

By incorporating environmental factors into financial accounting, companies can perform cost-benefit analyses of various environmental initiatives. This allows them to evaluate the economic and environmental impacts of projects, helping to make more informed decisions.

Integration of Environmental and Social Reporting:

Companies can incorporate environmental and social reporting into their financial reports. This transparency allows stakeholders, including investors, customers, and the public, to understand the company's commitment to sustainability and social responsibility.

Corporate Social Responsibility (CSR) Programs:

Green accounting can be a tool for companies to design and implement CSR programs that focus on environmental and social issues. This may include initiatives related to renewable energy, community development, employee welfare, and other socially responsible activities.

Regulatory Compliance:

Adhering to environmental regulations and standards becomes an integral part of green accounting. By complying with these regulations, companies demonstrate their commitment to environmental responsibility and reduce the risk of legal and reputational issues.

Stakeholder Engagement:

Engaging with stakeholders, including local communities, environmental groups, and regulatory bodies, is essential. Companies can actively seek feedback, address concerns, and involve stakeholders in decision-making processes related to environmental and social issues.

Long-Term Sustainability:

Green accounting encourages a long-term perspective on sustainability. By considering the environmental and social impacts of current activities, companies can better plan for the future, ensuring the continued availability of resources and maintaining a positive societal impact.

In summary, green accounting serves as a tool for companies to discharge social responsibility by promoting sustainability, transparency, and responsible business practices. It enables companies to go beyond mere financial considerations and actively contribute to environmental conservation and social well-being. This, in turn, can enhance a company's reputation, attract environmentally conscious customers and investors, and create a more sustainable and resilient business model.

Q.10. Write short notes on following:

- **a) Human Resource Accounting**
- **b) Inflation Accounting**
- **c)Capital and Revenue Expenditure**

d)Deferred Revenue Expenditure

Answer:

a) Human Resource Accounting

Human Resource Accounting is the process of identifying and measuring data about Human Resources and communicating this information to the interested parties. It is an attempt to identify and report the Investments made in Human Resources of an organisation that are currently not accounted for in the Conventional Accounting Practices.

Importance of Human Resource Accounting

The 21st Century has been referred to as the Century of the Service Sector. All major expansion scope seems to be happening in the service sector and the scope of expansion of the manufacturing sector is minimal.

But are the Accountants properly able to value this Service Sector and show this on the Company's Balance Sheet?

For any Company operating in the Manufacturing Sector, its core assets are its Machinery and Fixed Assets but for a Company operating in the Service Sector, its core assets are its employees which are Intangible Assets. For a Service Sector Company, the value of employees gains importance as earnings are based on the per-employee per hour billing model and profitability is linked to the value added by the workforce.

The Concept of Human Resource Accounting was established primarily for the service sector has now started gaining so much relevance that now Companies in all Sectors have applying HR Accounting and a good weightage is given to these reports when making any Company Analysis.

Benefits of Human Resource Accounting

The main benefits of Human Resource Accounting are:-

1. HR Accounting helps the company ascertain how much Investment it has made on its Employees and how much return it can expect from this Investment
2. The Ratio of Human Capital to Non-Human Capital computed as per the HR Accounting Concept indicates the degree of Labour Intensity of an Organisation.
3. HR Accounting provides a basis for planning of physical assets vis-a-vis Human Resources
4. HR Accounting provides valuable information to Investors interested in making Long Term Investments in Service Sector Companies

b) Inflation Accounting

Inflation accounting is an accounting method designed to adjust financial statements to reflect the effects of inflation. Traditional accounting methods, based on historical cost accounting, often fail to accurately represent the true economic reality of a business when prices are changing due to inflation. Inflation accounting aims to provide a more realistic picture of a company's financial position and performance in an inflationary environment.

Here are some key aspects of inflation accounting:

Adjustment of Financial Statements:

Inflation accounting involves adjusting financial statements, such as the income statement and balance sheet, to account for changes in the general price level. This adjustment helps in presenting a more accurate picture of the real value of assets, liabilities, revenues, and expenses.
Monetary and Non-Monetary Items:

Inflation accounting distinguishes between monetary items (those whose amounts are fixed in terms of money) and non-monetary items (those whose amounts are not fixed in terms of money). Monetary items are adjusted to reflect changes in the general price level, while non-monetary items are not.

Current Cost Accounting:
One approach to inflation accounting is the use of current cost accounting. This involves restating the historical cost of assets and liabilities to their current values. This adjustment is meant to reflect the replacement cost of assets in today's dollars.
Purchasing Power Gain or Loss:

Inflation accounting considers the purchasing power gain or loss associated with holding monetary assets during inflation. For example, if a company holds cash, the real value of that cash may decrease during inflation, leading to a purchasing power loss.

Impact on Profit and Loss:
Inflation accounting can significantly impact reported profits. Traditional accounting methods may overstate profits during inflationary periods because historical costs are generally lower than replacement costs. Adjusting for inflation helps provide a more accurate representation of the economic substance of transactions.

Tax Implications:
In some jurisdictions, tax authorities may allow companies to use inflation-adjusted financial statements for tax purposes. This can impact the taxable income reported by a company and affect its tax liability.

Challenges and Criticisms:
Inflation accounting has faced criticism for being complex and subjective. Determining appropriate price indices and adjusting for inflation requires judgment, and different methods can yield different results. Additionally, some argue that inflation accounting may not be necessary in times of low or stable inflation.

International Financial Reporting Standards (IFRS):

International accounting standards, such as IFRS, provide guidelines for inflation accounting. However, the adoption and application of inflation accounting practices can vary across countries and industries.

In conclusion, inflation accounting is a method aimed at providing a more accurate representation of a company's financial position and performance in the context of changing prices. It helps address the shortcomings of historical cost accounting during inflationary periods and provides stakeholders with a clearer understanding of a company's economic reality.

c) Capital and Revenue Expenditure

Capital expenditure is that expenditure which results in acquisition of an asset or which results in an increase in the earning capacity of a business. The benefit of such expenditure lasts for a long period of time. Examples: Purchases of land, buildings, machinery, furniture, patents, etc. All these assets stay in business and are used again and again. Other examples are money paid for goodwill (like the right to use the established name of an outgoing firm) since it will attract the old firm's customers and thus will result in higher sales and profits; money spent to reduce working expenses like conversion of hand-driven machinery to power-driven machinery and expenditure enabling a firm to produce a large quantity of goods. Expenditure which does not result in an increase in capacity or in reduction of day-to-day expenses is not capital expenditure, unless there is a tangible asset to show for it.

Expenses whose benefit expires within the year of expenditure and which are incurred to maintain the earning capacity of existing assets are termed as revenue expenditure. Amounts paid for wages, salary, carriage of goods, repairs, rent and interest, etc., are examples of revenue expenditure. Depreciation on fixed assets is also a revenue expenditure. To the extent the materials are used up, they will be revenue expenditure. Similarly, cost of goods sold is revenue expenditure. Costs incurred to acquire an asset are capital but costs incurred to keep them in working condition or to defend their ownership are revenue. Fee paid to a lawyer for checking whether all the papers are in order before land is purchased is capital expenditure. But if later a suit is filed against the purchaser, the legal costs will be of revenue type.

DIFFERENCE BETWEEN CAPITAL AND REVENUE EXPENDITURE

The following are the points of distinction between capital expenditure and revenue expenditure:

(i) Capital expenditure is incurred in acquiring or improving permanent assets which are not meant for resale. But revenue expenditure is a routine expenditure incurred in the normal course of business and includes cost of sales as also the upkeep of fixed assets etc.

(ii) Capital expenditure seeks to improve the earning capacity of the business whereas revenue expenditure is incurred to maintain the earning capacity of the business.

(iii) Capital expenditure is normally a non-recurring outlay but revenue expenditure is usually a recurring features.

(iv) Capital expenditure produces benefits over several years. Hence, only a small part is charged as depreciation to income statement and the rest appears in the balance sheet. But revenue expenditure is consumed within an accounting year and the entire amount is charged to the (current year's) income statement. Hence, it does not appear in the balance sheet. Deferred revenue expenditure is however an exception to this rule.

d) Deferred Revenue Expenditure

There are certain expenses which may be in the nature of revenue but their benefit may not be consumed in the year in which such expenditure has been incurred; rather the benefit may extend over a number of years, for example, heavy advertising expenditure incurred in introducing a new line or developing a new market. Charges of these expenses are deferred because such expenses benefit more than one accounting period. The matching principle demands this. The basis of charge is usually proportionate to the benefit consumed/reaped.

The practice which varies considerably is to write off the amount over the period of years in which the benefit is expected to accrue say 3 to 5 years. If the expenditure can be ear-marked as being in respect of a specified object, the expenditure should be written off during the life of that object. Example: Heavy advertising expenses on a new product, accidental losses like loss arising from a fire or an earthquake; the loss may be spread over a few years. The deferred revenue expenditure not yet written off is shown on the assets side of the balance sheet. In the case of joint stock companies, it is deducted from reserves.

Thus, deferred revenue expenditure is revenue in character but —

(i) the benefit of which is not exhausted in the year of expenditure, or

(ii) is applicable either wholly or in part to the future years, or

(iii) is accidental with heavy amount and it is not prudent to charge it against the profit of one year.

The deferred revenue expenditure may be classified into the following three categories:

(i) Expenditure partly paid in advance, where a portion of the benefit has been derived within the accounting period and the balance will be reaped in a number of future years. Therefore, the benefit to be reaped in future is shown in the balance sheet as an asset e.g. special advertising expenditure for a new product.

(ii) Expenditure in respect of service rendered which for any sound reason is considered as an asset or more properly not considered to be allocable to the one accounting period e.g. cost of experiments, discount on issue of debentures etc.

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BBA-II

Model Test Paper

Business Communication (BBA110)

Q1. What is need and importance of business communication. What are seven Cs to remember in written communication.

Need and Importance of Business Communication:

Communication has evolved into one of the key factors in the aspects of organizational operations. Business communication occurs between two or more parties to exchange business related information. The success of a business depends on the efficacy of business communication. For this, communication is regarded as the lifeblood of business. The role or importance of business communication is discussed below:

1. Exchanging information: Communication is mainly the exchange of information between two or more parties. Through communication, organizations exchange information with internal and external parties. Communication also bring dynamism in organizational activities and helps in attaining goals.

2. Preparing plans and policies: Communication helps in preparing organizational plans and policies. Realistic plans and policies require adequate and relevant information. The managers collect required information from reliable sources through communication.

3. Execution of plans and policies: For timely implementation of plans and policies, managers must disseminate those in the whole organization. In order to disseminate the plans and policies to the internal and external parties, managers rely on communication.

4. Increasing employee's efficiency: Communication also helps in increasing the efficiency of employees. With the help of communication, organizational objectives, plans, policies, rules, directives and other complex matters explain to the employees that broaden their knowledge and thus help them to be efficient.

5. Achieving goals: Effective communication helps the employees at all levels to be conscious and attentive. It ensures timely accomplishment of jobs and easy achievement of goals.

6. Solving problems: Through various communication channels, the managers can be informed of various routine and non-time problems of the organization and accordingly they take the necessary actions of steps to solve the problems.

7. Making decisions: Making timely decisions requires updated information. Through effective communication, managers can collect information from different corners and can make the right decisions.

8. Improving industrial relation: Industrial relation is the relation between workers and management in the workplace. Good industrial relation is always desired for business success. Communication plays a vital role in creating and maintaining good industrial relation.

9. Publicity of goods and services: In the modern age, business is becoming highly competitive. Manufacturers producing products of commonconsumption are very competitive. However, all of them cannot sell equally well. The organization that can communicate better, can also sell better.

10. Removing controversies: Effective communication allows smooth flow of information among various parties involved in the negotiation or transaction. As a result, conflicts, controversies and disagreements can be resolved easily.

11. Enhancing employee satisfaction: If there is free and fair flow of information in the organization, it will certainly bring mutual understanding between management and workers. Such understanding enhances the satisfaction of employees.

12. Enhancing loyalty: Effective communication helps the managers to be aware of the performance of their subordinates. In such a situation, the subordinates try to show their good performance. Later on, if management praises their performance, it will enhance employees' loyalty.

Seven Cs of communication are explained below:

1. Clarity:
   1. Clarity means getting the message across so the receiver will understand what the sender is trying to convey.
   2. The sender wants the other person to interpret the words with the same meaning the sender has in mind.
   3. Accomplishing that goal is difficult because individual experiences are never identical, and words have different meanings to different persons.

Here are some specific ways to help make the messages clear:

1.Choose short, familiar, conversational words.

2.Construct effective sentences and paragraphs.

3.Achieve appropriate readability (and listenability).

4. Include examples, illustrations, and other visual aids, when desirable.

2. Completeness:

Every communication must be complete and adequate. Incomplete messages keep the receiver guessing, create misunderstanding and delay actions. Every person should, therefore, be provided with all the required facts and figures. For example, when factory supervisor instructs workers to produce, he must specify the exact size, shape, quality and cost of the product.

Any assumptions behind the messages should also be clarified.

While answering a letter, all the questions raised in the letter must be replied.

3. Conciseness:

In business communication, one should be brief and be able to say whatever he/she has to say in fewest possible words without sacrificing the other C qualities. Conciseness is desired because of the following benefits:

1. A concise message saves time and expense for both sender and receiver.

2. Conciseness contributes to emphasis; by eliminating unnecessary words, you let important ideas stand out.

3. When combined with a "you-view", concise messages are inherently more interesting to recipients as they avoid unnecessary information.

4. Concreteness:

• Communicating concretely means being specific, definite, and vivid rather than vague and general.

• The following guidelines can help to compose concrete, convincing messages:

• Use specific facts and figures.

• Put action in the verbs.

• Choose vivid, image-building words.

5. Correctness:

1. The term correctness as applied to business messages means right level of language and accuracy of facts, figures and words.

2. If the information is not correctly conveyed, the sender will lose credibility.

3. Transmission of incorrect information to superiors will vitiate decision making process.

4. Transmission of incorrect information to outsiders will spoil the public image of the firm.

5. To convey correct messages, grammatical errors should also be avoided.

6. One should not transmit any message unless he/she is absolutely sure of its correctness.

6. Consideration

1. Consideration means that the person prepares every message with the recipient in mind and tries to put himself in his or her place.
2. Try to visualize the readers (or listeners)—with their desires, problems, circumstances, emotions, and probable reactions.
3. Then handle the matter from their point of view.
4. This thoughtful consideration is also called "you-attitude," empathy, the human touch, and understanding of human nature. (It does not mean, however, that one should overlook the needs of the organization.)
5. Consideration underlies the other six C's of good business communication

7. Courtesy

• Courteous messages help to strengthen present business friendships, as well as make new friends.

• Courtesy stems from sincere you-attitude.

• It is not merely politeness with mechanical insertions of "please's" and "thank-you's."

• To be courteous, considerate communicators should follow these suggestions regarding tone of the communications:

• Be sincerely tactful, thoughtful, and appreciative.

• Omit expressions that irritate, hurt, or belittle.

• Grant and apologize good-naturedly.

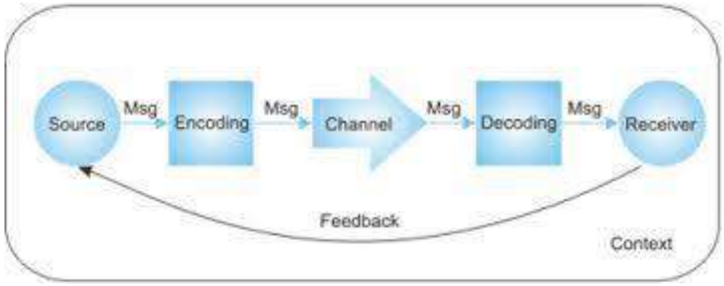
Q2. "Communication is a one-way process". Do you agree? How to make it effective? Briefly explain the various barriers to effective communication.

Ans 2. I do not agree to the statement "Communication is a one-way process." Communication, to be effective, has to be a two-way process. Communication process is explained below:

The process begins with a person's desire to share or exchange an idea, thought or feeling with another person(s).
It involves:
A sender
A message
A medium
A receiver

Early ideas of communication:
One- way (linear) process:

1. **Two- way Communication process:**
   Also called Transactional Communication
   In this model, receiver also acts as the sender of feedback to the original transmitter (sender)



Barriers to effective communication:

1. Semantic Barriers: Misunderstanding the feelings of the sender or getting a wrong meaning of it. This can happen if the information is not in simple language.
   (1) Badly expressed message: wrong choice of words
   (2) Using symbols/ words with different meaning. Example: "Value" has many meanings in various contexts.
   (3) Faulty translation: according to receiver's level of understanding
   (4) Unclarified assumptions: from the point of view of sender; assuming receiver knows basics
   (5) Technical jargon: such as language used by industrial engineers, quality controllers
   (6) Body language and gesture decoding: such as nodding of head can mean yes or no by different people.
2. Psychological/ Emotional Barriers:
   (1) Premature evaluation; before the closure of entire message
   (2) Lack of attention by the receiver of the message
   (3) Loss of transmission and poor retention: this happens when message passes through many people.
   (4) Distrust: If the receiver does not trust the sender.
3. Organizational Barriers:
   (1) Organizational policies. For example: policy of written communication may lead to delay in communication.
   (2) Rules and regulations. For example: rules about the medium of communication can delay the communication.
   (3) Complexity in organization structure: Number of managerial levels
   (4) Organizational facilities: For example: telephones not being available on an employee's workstation etc.
4. Personal Barriers:
   (1) Barriers related to superiors:
      (a) Fear of challenge of authority
      (b) Lack of confidence in subordinates
   (2) Barriers related to subordinates:
      (a) Unwillingness to communicate
      (b) Lack of proper incentive

5. Difference in Language:
   Difference in language is the most obvious barrier to communication as two people speaking two different languages cannot communicate with each other. For example, an American goes to China. The person does not understand Chinese and most people in China do not understand English. So, when the person speaks, the communication is worthless as the other Chinese person doesn't understand it.
   Regional Accents and Dialects: The accents and dialect (use of words) of people belonging to different places differs even if their language is same. Though the languages are technically the same in people using different dialects and accents, the meanings, implications and interpretations of words are different, which may lead to various kinds of conflicts. For example, If a Scottish farmer talks to a person from London, they do not understand most of the words the other says even though they both speak English. The word ham and bacon can be used interchangeably in Scotland but they are different in England.
6. Physical Barriers:
   These relate to the physical environment in which communication occurs. Examples include noise, distance, poor lighting, and physical disabilities. Addressing physical barriers involves optimizing the environment for effective communication.
7. Cultural Barriers:
   Differences in cultural norms, values, and communication styles can create barriers. Examples include language differences, nonverbal cues, and social customs. Sensitivity to cultural diversity and adapting communication approaches is crucial.
8. Emotional Barriers:
   Emotional states such as anger, fear, or stress can impact communication. Emotional barriers may lead to defensive responses or misinterpretations.

Q3. What is Cross- cultural communication in Globalized World? Discuss the main problems in intercultural communication.

- Cross-cultural communication can be defined as a dialogue or any kind of interaction (both verbal and non-verbal) between people of different nationalities.
- Applied to a business-oriented context, cross-cultural communication refers to how well people from different cultures interact in a business environment. And how well they adapt their communication style to their co-worker's culture.
- Cross-cultural communication refers to the process of exchanging information, ideas, and messages between people from different cultural backgrounds. In a globalized world, where individuals and organizations interact across borders, cross-cultural communication has become increasingly important. It involves understanding and navigating the cultural differences that exist between people with diverse cultural, ethnic, religious, linguistic, and social backgrounds. Effective cross-cultural communication is essential for building relationships, fostering collaboration, and avoiding misunderstandings.
- The need to communicate in cross- cultural environment arises from globalization. Cross-cultural communication has become strategically important to companies due to the growth of global business, technology and the Internet. Understanding cross-cultural communication is important for any company that has a diverse workforce or plans on conducting global business. This type of communication involves an understanding of how people from different cultures speak, communicate and perceive the world around them.

Here are key aspects of cross-cultural communication:

1. Cultural Awareness: Cross-cultural communication begins with an awareness of one's own culture and an appreciation for the diversity of other cultures. It involves recognizing and understanding cultural norms, values, customs, and communication styles.
2. Verbal and Nonverbal Communication: Different cultures may have distinct communication styles, including verbal expressions, tone of voice, and nonverbal cues. Understanding these variations helps in interpreting messages accurately.
3. Language Differences: Language is a crucial aspect of cross-cultural communication. Misinterpretations can arise due to language nuances, idioms, and varying levels of proficiency. Language barriers can be overcome through translation services or language training.
4. High-Context vs. Low-Context Cultures: Cultures are often categorized as high-context or low-context based on their communication styles. High-context cultures rely on contextual cues, relationships, and nonverbal communication, while low-context cultures place more emphasis on explicit verbal communication.
5. Cultural Sensitivity: Being culturally sensitive involves understanding and respecting the cultural norms and values of others. It includes avoiding stereotypes, showing openness, and adapting communication styles to suit the cultural context.
6. Effective Listening: Active and empathetic listening is crucial in cross-cultural communication. People from different cultures may express themselves in diverse ways, and careful listening helps in grasping the intended message accurately.
7. Adaptability: Successful cross-cultural communicators are adaptable. They can adjust their communication style and behavior to accommodate the preferences and expectations of individuals from different cultures.
8. Conflict Resolution: Conflict may arise from cultural misunderstandings. Effective cross-cultural communication involves employing conflict resolution strategies that consider cultural differences and seek mutually acceptable solutions.
9. Cultural Intelligence: Cultural intelligence (CQ) refers to the ability to function effectively in culturally diverse situations. It includes skills such as cultural awareness, cultural knowledge, and the ability to adapt to different cultural contexts.
10. Building Trust: Trust is the foundation of successful communication. Building trust across cultures requires consistency, reliability, and demonstrating respect for cultural differences.
11. Global Business and Collaboration: In the business world, cross-cultural communication is essential for international collaborations, negotiations, and partnerships. Understanding the business etiquette and communication norms of different cultures is crucial for success.
12. Ethnocentrism: It is the biggest problem in this communication. People bring the prejudices of their cultures to their interactions. Ethnocentrism is the belief that one's own group or culture is superior to all other groups or cultures. Example: Expecting everyone to speak English by Americans etc. An effective communicator avoids ethnocentrism and embraces cultural relativism. Cultural relativism: it is the belief that another culture should be judged by its own context rather than measured against someone else's culture.
13. Stereotyping: It is the generalization about some group of people that over-simplifies their culture. Example: Black Americans might be great athletes but sometimes not; Asians may be gifted at Mathematics but sometimes not etc.

14. Prejudice: It is the negative attitude towards a group of people just because they are who they are. On the receiving end are generally the marginalized groups though it can be made against larger group. It is often based on ignorance i.e. dominant group chooses not to know much about the target of its prejudice. Example: Non- English speaking people, Coloured people, poor people, working women etc.
15. Discrimination: Differential treatment of an individual due to minority status; actual and perceived; e.g., "we just aren't equipped to serve people like that."
16. Cultural Blindness: Differences are ignored and one proceeds as though differences did not exist.
17. Cultural Imposition: Belief that everyone should conform to the majority; e.g., "we know what's best for you, if you don't like it you can go elsewhere."
18. Tone Difference: Formal tone change becomes embarrassing and off-putting in some cultures.

Q4. Explain how can you improve command over spoken and written English? What are the barriers to listening? Discuss the ways in which a person can learn the art of listening?

<u>Ways to improve command your written English</u>

1. Expand your vocabulary: To express yourself clearly, a person need a good active vocabulary. That's not just being able to recognize lots of words – it means actually being able to use them correctly. Do this by learning new words with example sentences, not just word lists.
2. Write how you speak: This doesn't always apply, but generally we can improve the fluency and readability of our writing by simply writing how we speak. That doesn't mean writing lots of slang words and *uh*, *eh*, and *er*! But think about how people use simple English when they speak and how naturally it sounds and aim to give your writing the same easy flow.
3. Learn new words: It goes without saying that to write with more confidence and fluency, we need to expand our vocabulary. If we haven't done so already, start a personal dictionary. Any words that we come across that we don't know, write down and translate, then test our self on how many of them we can remember, and start using them in our writing and conversations.
4. Improve your grammar: Grammar is very important because it improves the quality of our writing. Always use the appropriate tense and remember to use punctuation. Punctuation is a great way to make your writing clear and fluent.
5. Read a lot: Even without physically writing, we can improve our writing skills. By reading as much as we can, we'll develop your vocabulary and understanding of how English is used. We don't mean that we should be studying syntax and sentence clauses – simply read for pleasure and we'll pick things up subconsciously! We could start with the English version of our favorite book, or work our way through these classic novels. And by the way, if we need extra encouragement, Joseph Conrad, the author of *Heart of Darkness*, didn't speak English until in his 20s and went on to become one of the most celebrated English novelists of all time!
6. Make writing a daily habit: As the saying goes: practice makes perfect. So, the only way to improve your writing over time is to keep doing it. Even just 5 or 10 minutes a day, if

done every day, will really help you improve your written English. You could keep a diary in English or write a blog about your experiences learning English and living in a new country, or even start writing your social media posts in English.

7. Use a pen and paper: No computer = no autocorrect. That means we'll need to think about how to correctly spell words (and we can use our personal dictionary) rather than relying on technology to do it. There's also something about writing the shape of each letter that helps us to remember new words and correct spelling, not to mention learning the valuable skill of handwriting in English.

8. Form follows function: There are lots of different types of written English – diaries, essays, CVs, poems, short stories, tweets, and so on. It's important to consider what type of writing you are doing and its purpose (its function). Also, think about who will be reading it and what you want them to do. When you know the function, you can adapt the style.

9. Check for mistakes: The last thing you do when you write something, is carefully read it to make sure it makes sense and you haven't made any mistakes. Always, always proofread your work.

Ways to improve command your spoken English

1.Practice Reading Loudly: To gain a good command over the language, always practice speaking loudly. Whenever you read anything in English, speak in a louder voice, so that we can hear our own sound. With that, you will be able to understand each and every word of the content. Also, it has been proved that speaking loudly increase your confidence level. So, start reading your point of interest in a lower voice.

2. Speak in Front of Mirror: It has always been prescribed that in case we want to increase our confidence, speaking skills, Mirror is the best guide for you. So, make Mirror your best friend which can renovate you completely as it shows the real YOU. If we have the dare to chase our self in front of a mirror, then we can be the most successful person over the globe. Speaking in front of the mirror enables us to overcome hesitation and improve your speaking skill set.

3. Always use a Dictionary: We have started reading English stuff, but we will collide with countless words whose meanings are unknown to us. For that purpose, always take a Dictionary along with you while reading anything. As soon as we collide with an unknown word, check out its meaning from the dictionary and then try to make the meaning of that sentence. Along with that, we can also make a habit to write one new sentence of our own with the newly discovered work. With this habit, we will not only attain a good command over English, but also get well prepared for WAT (Word Association Test).

4. Learn a new Word Everyday: With a habit to read on a daily basis, we will see an impressive change in your English-speaking capability. But later, when we will read regularly, we will find less words to discover from the Dictionary. In that case, we can start taking a new word each day and create our own meaningful sentence after understanding its meaning. we can take help of Internet to get our Word of the Day. This will enhance our vocabulary and will make a good collection of words.

5. Speak English with your Friends, Siblings, Colleagues: All our practice is half successful if we don't overcome our hesitation in speaking with people within our surroundings. For that, we should start speaking with our friends, college buddies, siblings in English and encourage them also to revert in the same language. With that, you will not only overcome

our hesitation and get a good command over the language, but we will also become a helping hand for many others who are facing the same situation nearby us.
6, Start Writing a Diary: Diary writing is a hobby of many Defense Aspirants. But to grab a good command over English, we should start writing Diary on daily basis in English only. It will not only allow us to express your thoughts in the form of words, but also will help you in thinking different English words that can be used while writing.
7. Observe the Speaker's Mouth: When we start practicing English by watching a speaker on a television, note the speaker's mouth and lips movements. Also try to imitate the tone and rhythm of the speaker.
8. Think in English: Now most of the Indian students or people who learn English does a common mistake of translating a sentence from their native language into English. This gives an MTI influence. So always think in English, if we want to speak the language well.
Listening requires hard work as it involves concentration. It takes energy to concentrate on listening to what is being said, to concentrate on understanding what has been heard, and to make an objective evaluation of what has been understood. In practice, many listeners fail in a number of ways. Effective listening promotes organizational relationships, encourages product delivery and innovation, as well as helps organization to deal with the diversity in employees and customers it serves. To improve your communication skills, you must learn to listen effectively. Effective listening gives you an advantage and makes you more impressive when you speak. It also boosts your performance.

The inefficient listeners may:

1. Drift, with their attention drifting away from what the speaker is speaker.
2. Criticize the speaker or the delivery. Instead of focusing on what the speaker isi saying, his or her thoughts and feelings, they may focus on how he or she is saying it. In the process of trying to notice errors in accent, grammar, etc., they fail to listen.
3. Counter, constantly trying to find counter-arguments to whatever the speaker is saying.
4. Listen only for facts and not for feelings and emotions, and want to skip the details.
5. Get over stimulated when questioning or opposing an idea, and overreacting to certain words and phrases.
6. Filter by excluding from their understanding those parts of the message which do not readily fit with their own frame of reference.
7. Assume in advance that the subject is uninteresting and unimportant.
8. Withdraw attention, start daydreaming.
9. Fake attention, which the speaker can easily see.
10. Hear only what they expect to hear, because of preconceived notion about the speaker or the situation.

Ways to learn the art of listening are as follows:

1. **Desire to listen:** The first step one needs in effective listening is to create a desire to learn and to listen. One should analyze one's own shortcomings consistently as a listener and try to overcome them. One should learn to have a propensity to listen more than to talk. One should discover interests' field.
2. **Resisting Distractions:** In the process of listening there may be many distractions at physical or mental level. For example Anger hampers and inhibits communication. Angry people jam their minds to the words of others We have a pace of thinking faster than that

of speaking, our attention begins to wander while we listen to someone. When this happens, we should make a conscious effort to bring our mind back to what is being said. We should be alert to the speaker's message that is transmitted through verbal as well as non-verbal means. We should not be diverted by his or her physical appearance, the delivery or mannerism of the speaker. We should concentrate on the message that the speaker tries to convey. Remain calm. This would help grasp and understand the matter/content

3. Focus on the Message: Skilled listeners focus on listening more to the message than to the matter of listening. Each speech contains a limited number of points. Our adapting to a right manner of listening makes us identify these points which, together, convey the main message of a speech. At the same time, we should also listen to the statements that support the inclination or the intent of the speaker and be open to accept new ideas and information.
4. Delay Evaluation and Premature Conclusions: We should give the speaker adequate time to say by all means. We should not jump to conclusions. First we should try to understand the message, and then evaluate it. Premature judgment hampers effective listening. Keep on asking questions. This demonstrates that how well you understand the speaker's ideas and also that you are listening.
5. Taking Notes: We should know that our perceiving the essence of the speech is not the end of listening. We should also know how to record what we listen. Learning how to take notes to keep track with the speaker's message should be the main thrust of the listener. Also, how a listener drives the main thrust of the speaker's message home is also very important. Taking down notes guides us to become a more attentive and a creative listener. "Step into the shoes of others", i.e., put yourself in the position of the speaker and observe things from his view point. This will help creating an atmosphere of mutual understanding and improve the exchange of ideas in communication process.
6. Effective listening requires both deliberate efforts and a keen mind. Effective listeners appreciate flow of new ideas and information. Organizations that follow the principles of effective listening are always informed timely, updated with the changes and implementations, and are always out of crisis situation.

Q5 (a) Draft a suitable reply to a customer who has complained about the poor services of the type write supplied by you.

(a) Reply to customer:
ABC Pvt. Ltd.
21, Street 3,
C. Place
Delhi 110001

Date:

Mr. XYZ
90, Road B23
D. Place
Delhi 110002

Dear Sir

With reference to your letter dated Jan 01, 2017, we would like to express our apologies for the inconvenience caused to you by our services. As expressed in your letter, the services provided to you during and after installation of the typewriter were not as per our standards.

We shall send our customer support engineer at your given address to help you with the typewriter as per the time convenient to you. Please communicate the same to us on our customer helpline number.

Assuring the best of our services in the future.

Thanking you

DEF
Customer Service Manager
ABC Pvt. Ltd.

(b) Draft a sales letter to promote the sales of some new cosmetics.

SAMPLE LETTER
[Senders Name]
[Address line]
[State, ZIP Code]
[Letter Date]

[Recipients Name]
[Address line]
[State, ZIP Code]
[Subject: Normally bold, summarizes the intention of the letter] -Optional-

Dear [Recipients Name],

We are so happy to announce that Cashmere Women's Store has a new Cosmetics Department!

You are one of the loyal customers of our store, and now that we have expanded, we want you to enjoy your shopping experience more. We carry cosmetics from all over the world - like Miumiu, Femme Fatale, Shimmering, Lady in Red - and some exclusive brands such as Premium Blue, Clear Water, and many more. A complete selection of great cosmetics all within your reach.

Don't forget the great savings that you'll have. No one can beat our reasonable prices.

We want to show our appreciation for your patronage by giving you this 30% discount coupon you can use in the Cosmetics Department until June 30th.

Aren't you just excited to visit our cosmetics Department? Check us out today, and bring your discount coupon.

Sincerely,

[Senders Name]
[Senders Title] -Optional-

Q6 Write short notes on the following: -

(a) Press release

Press release is a short, compelling news story written by a public relation professional and sent to targeted members of the media. The goal of a press release is to pique the interest of a journalist or publication. A press release should read like a news story, written in third-person, citing quotes and sources and containing standard press release information.

The standard press release begins with contact information, mostly likely the name, phone number and e-mail address of the person who wrote the release. Next is the headline, arguably the most important four or five words in the whole press release. The headline will be what the journalist reads first.Press releases typically end with a short description of the company or organization that's issuing the release, along with a call to action. The call to action could be to participate in the event being promoted, to take a test drive of the product, or simply to find out more by contacting the author of the press release.

(b)Agenda

There are three components of a business meeting: Notice, Agenda and Minutes.
Agenda: An agenda is the list of items to be considered at a meeting. It is also called business or order of business. It comes from the Latin word agendum (singular) which means 'a thing to be done.' But agenda (the Latin plural) is used as a singular noun.

It is the route map of the meeting. The specimen notices above already contain a hint of how it is written. The agenda may be a part of the notice or may be attached as an annexure. The convenor/secretary prepares it in consultation with the chairperson and gets his approval.
The items of agenda should cover all that is necessary to be considered at that time. Meetings take time and effort to arrange; hence the agenda has to be well thought out.

The items may be devised from:

(a) Previous minutes

(b) Suggestions received

(c) Actions and events since last meeting

(d) Correspondence of the organisation

The agenda contains routine items as well as special ones.

Here are some guidelines for listing the items:

1. Apologies from absent members (need not be written previously)

2. Condolences if any (may or may not be written previously)
3. Reading and approval of minutes of the last meet
4. Matters arising out of previous meet's minutes (this need not always be mentioned)
5. Urgent and non-controversial items
6. Matters requiring closer discussion and debates
7. Any new, on-the-spot items with the approval of the chairman
8 Date of the next meet.

The last item in a meeting is a vote of thanks to the chairman but this need to be mentioned. The items are mentioned briefly or elaborately according to the practice or need. The agenda should be manageable within the time at disposal. Some clubs have a time limit for the duration of a meeting (e.g. 90 minutes), which automatically dictates the scope of discussion.

(c) Notice
There are three components of a business meeting: Notice, Agenda and Minutes.
When a meeting is to be convened, a notice is required to be sent to all who are to attend it.

It should satisfy these conditions:

1. It should be under proper authority.
2. It should state the name of the organization.
3. It should state the day, date, time, and place. Also, sometimes, how to reach the place.
4. It should be well in advance.
5. It should state the purpose and, if possible, the agenda.
6. It should carry the date of circulation and convener's/secretary's signature.
7. It should go to all persons required at the meet.
8. It should mention the TA/DA etc. payable and the arrangements for this.

In practice, it is necessary to ensure that the notice has reached in time. This may be done telephonically. Dispatch section and post are prone to delays. We often find that between the date of a letter from a major public organisation and the post mark on the letter, there is a gap of 10-12 days. A notice that should reach seven days before a meet should not reach seven days after the meet.

Q7. Differentiate between Circulars, Office Memorandums, and office orders while explaining purpose, format, language and tenses used for each of them.

Ans.7

Circular
Circular letter is one of the oldest types letters. This kind of letter originated in ancient time when people felt the necessity of circulating any message to a large number of people at a time in the same way.

Generally, the letter that is used to circulate any special message to a huge member of audiences at the same time is known as circular letter. It is one of the cost-effective means of circulating information or introducing new products to mass people. However, circular letters are not only used in business, but also in social, political and personal affairs.

Purpose of Circular

Circular letter circulates information relating to a company, its products and services etc. to a large number of people at a time. It plays an important role in the growth and development of business. Its importance is briefly discussed below:

1. **Easy method of conveying information**: Circular letter is the most easy, simple and effective way to convey any information to a huge number of people.
2. **Achieving economy**: Circular letter can be used for wide publicity of products. As a result, organizations can save cost of sending letters to different parties separately and can gain economy.
3. **Saving time**: Circular letter transmits information to a large number of people at a time. It does not require reaching each individual separately. Thus, it saves time.
4. **Less effort**: Circulating information to everyone separately is a time consuming and laborious job. Circular letter helps to overcome this problem. Through circular letter, we can communicate with large number of people at a minimum effort.
5. **Creating market**: Through circular letter, a company can inform the potential customers about its products and services. In this way, new market can be created.
6. **Increasing consumer's confidence**: Convincing and attractive circular letter can easily touch the reader's heart and thus helps to enhance consumer's confidence on the company's products.
7. **Creating public consciousness**: In circular letter, information like price, quality, utility, place of availability etc. are mentioned in detail that make people more conscious about the product.

Drafting of a Circular:

A circular may be drafted into two distinct forms:

(a) It may be in the form of a letter when there is an intention to persuade the members to do something or to cooperate with the association. It is often called a circular letter. Sometimes it is in the form of an appeal.

(b) It may be in the form of a pure circular and not a circular letter.

Specimen 1—Circular to the members of an association

West Bengal Professors' Association
Reg. Off……
July 1,xxx
To All Members
Dear Sir,

The undersigned has the pleasure to inform you that Calcutta Book Club, a premier publishing firm, has offered to the Association 50 copies of its forth-coming publication named 'Commerce Manual' at a concessional rate of Rs. 100.00 per copy (market price being Rs, 125.00) for its members.

Any member intending to buy a copy may deposit the amount with the Office Secretary of the Association on or before 14.8.xx

Yours faithfully,
General Secretary

Office Memorandums

Office Memorandum is popularly known as memo. The literal meaning of the word memorandum is a note to assist the memory. Memos are the written internal communication means for exchanging information relating to day-to-day functions within the organizations.

***According to Lesikar and pettit**, "Memorandum is a form of letters written inside the business".*

***According to Stewart and Clark**, "Memos are used to communicate with other employees, regardless of where the employees may be located in the same organization."*

***According to S. Taylor**, "Memo is a written communication form one person to another (or a group of people) within the same organization."*

So, memorandum or memos are an internal short note or letter in which information exchanged among superiors and subordinates or same potion of employees in the organizational structure.

Purpose of Office Memorandum

1. **Time saving:** We can see that may organizations use printed memo. As it is usually printed, it takes less time to draft it.
2. **Less formality:** No formality is necessary in drafting a memo, usually inside address, salutation and complimentary closing is omitted in it.
3. **Maintenance good relationship:** It can help to maintain the good relationship among the boss and subordinates, because the bossing attitude is absent here.
4. **Low cost:** The cost of communication through a memo is less than those of others.
5. **References:** Memo is a written document. So, it can be used for future references.
6. **Inform the decisions and actions:** The main objective of memo is to inform the decisions and actions. For this purpose, it should be written by the higher authority.

7. **Request the decisions and actions:** The objective of memo is to request the decisions and actions. For this objective, it may be drafted by the sub-ordinate.
8. **Provide information:** Another important objective of the memo is to provide information form one level to another within the business.
9. **Remain someone of action:** Memo is also written to remind someone of action, if requires.
10. **Others:** Issuing orders and instructions, providing response, providing suggestions, presenting informal report, solving problems.

Drafting of Office Memorandum:

All memos are structured similarly. They have the following elements:

- **An addressee:** Flush left, in capital letters, near the top of the page
- **The sender:** Flush left, in caps, immediately below the addressee
- **Date:** Flush left, in caps, immediately below the sender's name
- **Subject:** Flush left, in caps, immediately below the date

Use suitable paper for your memos — white bond, either note size or standard to fit most desk in-baskets.

This figure shows an example of a properly structured memo.

Memorandum

TO: GTS Sales Staff

FROM: Karen Moore

CC: Mr. John Sakazaki

DATE: April 18, 2008

SUBJECT: Customer Presentation

The JSKL Marketing presentation you prepared last week to showcase our new product line was exceptional!

Your enthusiasm, sales strategy, and product knowledge were impressive and certainly sealed the deal with Mr. Lockhart!

Thank you for your outstanding work and dedication. Bonus checks will be distributed next week.

My sincere congratulations to all of you!

Office order

Office order is an order issued by the employer or the authority or senior employees. Office orders contain instructions about work-related information indicated by the organization. The employees are bound to accept it. Office orders are issued at the beginning of the month or Monday of the Week to check on the progress.

Office order can be issued on any information like a shift in working hours or promotions or details of employee designation in projects. Officer order is a downward communication which carries a stamp of the company.

These offices order carries out the communication about the change in the designation of the employee or suspension of a specific employee and granting of privileges, disciplinary proceedings. Sometimes office order is issued dealing with imposing restrictions.

Office orders are precise and short to the point and they clearly specify information. Office orders are released towards the individual or intended target group of viewers.

Drafting of an Office order
Name…
Department Name…
Sub: Office Order for Appointment
With the approval of the competent authority (Name and designation), I superintending engineer is hereby ordered to look after the work of director (finance and accounts) UK branch with immediate effect and till further orders.
Secretary,
Department Name…
Institute name…

Another format,
Name…
Department Name…
Sub: Office Order for Additional Charge
(Name) superintending Engineer (Designation and department name) is hereby ordered to hold the charge of Director Finance, (Branch name) with immediate effect in addition to his own duties.
Secretary,
Department Name…
Institute name…

Q8. Explain the role of technology as a boon and bane for communication.

Ans.8

Technology has altered modern life in many ways, especially in the workplace. The invention of computers, the miniaturization of electronics and the development of wireless communication have all altered the business world. Business communication, in particular, has seen some of the greatest advancements due to technological developments.

1. **The Development of the Cellular Phone**

   One of the biggest advancements in communication has been the development of the cellular phone. In the past, your only chance of reaching employees was when they were at their desks, prompting endless games of "phone tag" as people tried to connect during busy workdays. Now, workers are reachable no matter where they are, and even during non-work hours. The development of smartphones has also greatly expanded the types of business activities you can transact when out of the office, increasing productivity and extending the workday.

2. **Other Communication Devices**

   Phones are not the only high-tech communication devices, of course. Computers come in a wide variety of configurations these days, including tablets, small-but-powerful laptops, 2-in-1 devices that serve as either a laptop or tablet, and other variations. These devices all have built-in wireless capabilities and can also be configured with mobile communications, making them, in essence, large cell phones. Whichever device a business person carries, it facilitates verbal, text and image communications.

3. **Teleconferencing**

   High-speed data connections allow for the use of teleconferencing, virtual meetings held over audio and video links. Teleconferencing can save substantial amounts of money otherwise spent on travel by connecting important employees in far-flung branches together to share ideas and information. The use of virtual whiteboards, communal data-sharing platforms where remote users can interact as if around the same table, further increase the possibilities of the virtual workplace.

4. **Image Scanning**

   Document and image scanners allow workers to convert paperwork, plans, diagrams and photos into electronic files quickly for storage and transmission. Instead of relying on hand delivery of important documents across town or across the country, employees can scan and send these files in a matter of seconds across the Internet. An architectural firm could, for instance, scan updates to a plan, transmit it to the client, receive changes and make alterations all before a messenger would have been able to make the first run across town.

5. **Radio Frequency Identification Tags**

   The development of radio frequency identification (RFID) has substantially changed the field of business logistics and, paired with other business communication advancements, has the potential to increase a company's efficiency significantly. RFID tags are small chips that respond to radio waves with encoded information, allowing companies to tag and track items and materials. When an employee activates a scanning device, all RFID tags within range will respond with their coded information, allowing for quick updates of warehouse inventories and real-time tracking of shipments as they pass through the supply chain. Being able to access inventory on demand allows companies to take advantage of "just-in-time" shipping, providing products and material only when needed to reduce warehousing requirements and reduce the amount of excess stock stored at retail or office facilities.

6. **Artificial Intelligence (AI)**: AI can assist in writing press releases, features, and thought leadership articles. It helps tailor content for specific media platforms or individuals, improving conversion rates for story pitches and placements1.
7. **Chatbots**: These can remind clients and media professionals to act on emails, potentially making WhatsApp conversations redundant. However, excessive use may lead to spamming1.
8. **Voice Assistants:** Communication professionals can use voice assistants to track and read stories, making mundane tasks more interesting. Real-time alerts can replace traditional methods like Google alerts

Following are some negative points of technology:

1. **Overreliance:** Relying too heavily on technology can reduce face-to-face interactions and weaken personal connections.
2. **Miscommunication:** Misunderstandings can occur due to autocorrect errors, lack of tone/context, or misinterpreted emojis.
3. **Privacy Concerns**: Technology exposes personal information, leading to privacy breaches and potential misuse.

b) Write principles of ethical communication. What are characteristics of ethical communication?

Principles of ethical communication

- Advocate truthfulness, accuracy, honesty, and reason as essential to the integrity of communication.
- Endorse freedom of expression, diversity of perspective, and tolerance of dissent to achieve the informed and responsible decision making fundamental to a civil society.
- Strive to understand and respect other communicators before evaluating and responding to their messages.

- Promote access to communication resources and opportunities as necessary to fulfill human potential and contribute to the well-being of families, communities, and society.
- Promote communication climates of caring and mutual understanding that respect the unique needs and characteristics of individual communicators.
- Condemn communication that degrades individuals and humanity through distortion, intimidation, coercion, and violence, and through the expression of intolerance and hatred.
- Being committed to the courageous expression of personal convictions in pursuit of fairness and justice.
- Advocate sharing information, opinions, and feelings when facing significant choices while also respecting privacy and confidentiality.
- Accept responsibility for the short- and long- term consequences for our own communication and expect the same of others.

The characteristics of ethical communication are

1. **Conveying the point without offending the audience:** While communicating to the audience, conveying the desired message to them in a significant manner is of primary importance. For instance, the employees in a company can be asked to increase their efficiency in a demanding manner whereas managers and executives will feel offended if the same tone is used on them. There are different ways to explain the exact things to them in a much smoother manner.
2. **Maintain a relationship with the audience:** Maintaining the same wavelength with the audience is very important for a communicator to ensure the audiences feel at home. Experienced communicators immediately build a relationship based on trust with the audience as soon as they start speaking. Great orators such as Winston Churchill and Mahatma Gandhi always were able to maintain a relationship with their audience because they were masters at striking the same wavelength of the audience.
3. **Avoid withholding crucial information:** In the modern era, information is vital for all decisions. Hence, it is vital for any organization to be cautious when communicating with the public. The communicated information should be absolute and all vital information must be conveyed appropriately. Purposely withholding crucial information might result in the public conceiving a bad image.
4. **Well organized value system:** In order to ensure that this concept is successfully practiced and understood in an organization, a well-organized value system must be established throughout the organization by the top management. If an organization functions on the base of value systems common to both the top management and the employees, mutual respect between them will be present. A sound and healthy value system can make way for ethical communication.
5. **Accuracy of information is necessary:** Any information that is to be passed on must be true and accurate. Communicating without checking the truth of the information can be

highly dangerous for the organization. Identification of the source and testing the information is necessary before communicating it.

Q 9. Explain various types of communication and its flow in the organization.

Ans. Types of communication are:
1. According to Area of Operation
2. According to Relationship
3. According to Direction
4. According to Means

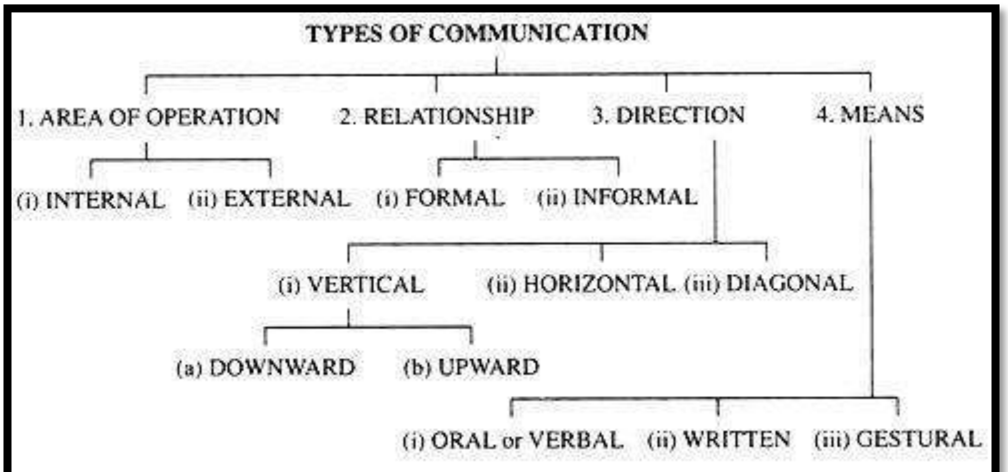


Fig. 3.1: Types of Communication.

1. According to Area of Operation:
(i) Internal Communication:
'Internal Communication' is a process of communication made within the organization between the superiors and subordinates or between peer persons or between two or more groups. It may be formal or informal, oral or written. It may flow upward, downward or horizontal as per requirement.
The oral means of internal communication are face-to-face discussion, verbal instruction, message, telephone, intercom, meeting, conference or seminar, speech, etc. The written methods include notice, circular, memo, report, chart or graph, bulletin, e-mail, fax, etc.

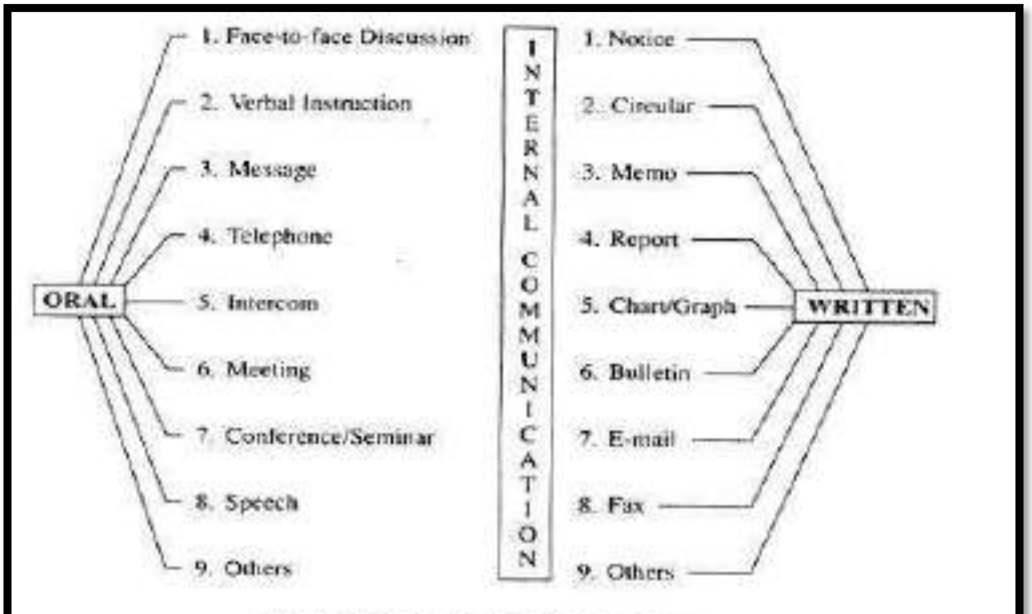


Fig. 3.2: Methods of Internal Communication

(ii) External Communication:

A business organization needs to communicate with the external agencies like customers, suppliers, investors, other business houses, banks, insurance companies, government offices, etc. Such communication may be called 'External Communication' as its area of operation is with the people outside the organization.

International business organizations need to communicate with foreign individuals, government agencies/organizations, etc. Oral external communication is made through face-to-face discussion, meeting, conference, seminar, telephone, speech, etc. The written process includes notice, letter, telegram, report, e-mail, advertisement, fax, press release, etc.

Fig. 3.3: Methods of External Communication.

2. According to Relationship:
(i) Formal Communication:
'Formal Communication' is the transmission of information or direction in formal organisation structure. Formal communication maintains superior-subordinate relationship. When a manager directs his deputy manager to carry out some task, it is an instance of formal communication. Formal communication directs the employees in a definite manner to know what the managers intend them to do and is generally codified and expressed in writing in manuals, handbooks, bulletins, annual reports, etc. So, it is rigid and thus lacks the quality of flexibility.
(ii) Informal Communication:
'Informal Communication' is the communication between the members of a group or more than one group—not on the basis of formal relationships in the organizational structure but on the basis of informal relations and understanding among the people at the same or different levels. It is referred to as the 'grapevine' which indicates informal means of circulating information or gossip. It does not follow any structural route or process. It moves towards any direction. It is direct, spontaneous, flexible, unplanned, and fast-flowing.
3. According to Direction:
(i) Vertical Communication:
Upward and downward flows of communication constitute 'Vertical Communication'. In such type of communication message or information is transmitted from the higher authority to the subordinates, and vice versa.
(a) Downward Communication:
Downward communication means the flow of information or understanding from the persons occupying higher positions to those at lower levels. It usually passes through written orders, reports and manuals and is the most common feature of all business organisations. In the organisation, people at lower levels have a high degree of fear and respect towards such communication which leads to high degree of its acceptance.

Fig. 3.4: Downward Communication.

(b) Upward Communication:
Communication is said to be upward when it moves from the subordinates to the superior managers. Submission of reports and suggestions, opinions and attitudes, complaints and grievances belong to this category. 'Upward Communication' is less common because it is less favored by the top managers due to its troublesome and perplexing nature.

Fig. 3.5: Upward Communication.

(ii) Horizontal Communication:

'Horizontal or Sideways Communication' takes place between two subordinates or managers at the same level and under the same superior. It is especially important in large or decentralized organizations. Staff people help to transmit information among the positions and units at the same level.

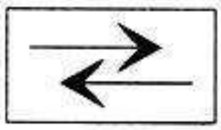


Fig. 3.6: Horizontal Communication.

(iii) Diagonal Communication:

Communication among the executives or employees of different departments is called 'Diagonal Communication.' No definite direction is followed—upward, downward and horizontal communication takes place in it. Both oral and written means of communication are used. It is mainly informal. A good relation between the subordinates and superiors is built up. It is very useful in solving the problems and avoiding conflict, but the chances of spreading rumors are high.

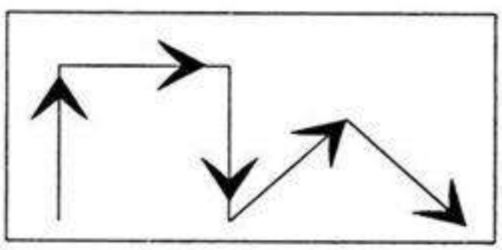


Fig. 3.7: Diagonal Communication.

4. According to Means:

(i) Verbal Communication:

'Verbal or Oral Communication' implies the transmission of orders, messages or suggestions through spoken words. It may be face-to-face or through a speaking instrument like telephone.

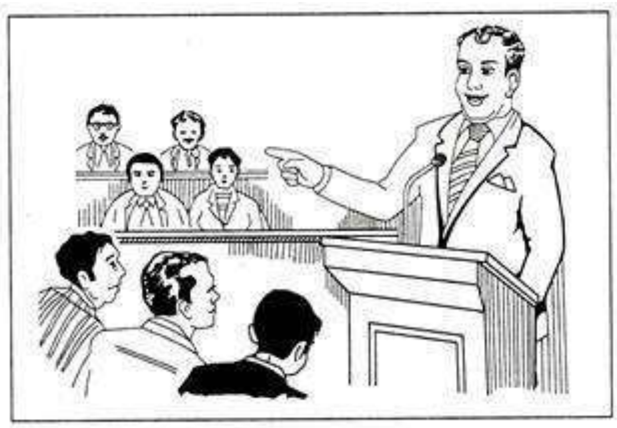


Fig. 3.8: Verbal Communication.

Verbal communication may pass directly between one person and another or group or indirectly through meetings and conferences. Whatever tool is used, it saves much time and permits personal contact. This fosters a friendly and co-operative spirit, ensures quick understanding and proper explanation, encourages questions and answers, and stimulates interest.

The speaker is also in a position to know the reaction of the listener. Again, it is most suitable for confidential and emergent talks. But it is not suitable if the distance between the speaker and the listener is too long. It is also unsuitable if the matter to be communicated is lengthy and is to reach many persons simultaneously. It also lacks recorded evidence and future reference and does not allow the listener much time to think, act, and react.

(ii) Written Communication:

A 'Written Communication' means the sending of message, order or instruction in writing through a letter, circular, manual, report, telegram, office memo, bulletin, etc. It is a formal method of communication and is suitable for long distance communication and repetitive standing orders. It creates the records of evidence and future reference and can be sent to many persons at a time.

Fig. 3.9: Written Communication.

It gives the receiver sufficient time to think, act, and react. A written communication in order to be effective should be clear, concise and complete. Moreover, it is time-consuming and expensive, and it cannot maintain secrecy, offers difficulty in explaining all matters, has no chance of clarification, is less flexible and not effective in emergency.

(iii) Gestural Communication:

Communication can be made through movement of body, facial expression, smile, modulation of voice, sign, handshake, rubbing of hands, eye- to-eye contact, style of walking, etc. As communication is made through bodily gestures it is called ‘Gestural Communication.’

Fig. 3.10: Gestural Communication.

It should be kept in mind that, though the methods of communication are different, no one method can be used exclusively. So, different methods may be used in combination to suit the purpose of the communication.

Q10. Differentiate between Etic and Emic approaches to understand different cultures? Which approach according to you is best to communicate effectively?

Ans.

The terms emic and etic refer to two different anthropological study approaches. The emic perspective strives to understand humans from an insider point-of-view, while the etic takes an objective outsider's point-of-view.

Background

The terms emic and etic were first used by the linguist Kenneth L. Pike in a study entitled Language in Relation to a Unified Theory of the Structure of Human Behavior, published in 1967. Emic was derived from the word "phonemic," a term referring to the study of sound systems within language, particularly those sets of sounds that a native speaker of a particular language can distinguish. Etic comes from the word "phonetic," a study of the overall organization of sound within all languages without particular regard to their patterns. Emic and etic anthropological study methods differ just as in phonemic and phonetic approaches to linguistic studies.

Emic Approach

Emic research is accomplished by procuring insider, or native, perspectives. It is a more objective approach in which the researcher will try to make sense of endemic customs and practices by observing or interviewing members of that culture. This bottom-up approach requires analysts to adopt a completely neutral outlook, with no expectations about what they will observe or what it will mean. It attempts to observe the cultural system as a working whole.

The emic approach is a popular method for newer topics, as researchers focus on actual data from local participants and the themes or patterns that develop therein, rather than depending upon long-standing theories. Researchers employing this method will conduct an in-depth long-term study of one or just a few settings.

In this method, scientists might study how gender roles develop within a particular culture, but without applying what they know about gender roles in other societies. The result may be a rich and diverse accumulation of individual case study data with a focus on how the insiders (or natives) viewed the differences in gender roles. Scientists might also study tattoo significance by collecting data on what the tattoos mean to individuals within the context of the cultural environment.

It is worth noting that a researcher's preconceived beliefs and ideas make it impossible to use a purely emic approach for study, particularly if he or she is a member of the culture being studied.

Etic Approach

Etic research takes an arm's-length approach in which context and populations can be examined across the board, allowing for the development of cross-cultural concepts. Researchers typically use existing theories that can be applied equally to other cultures, reapplying them to a new setting or population with the assumption that the theories are universal. Unlike the emic approach, etic research takes cultural data and attempts to fit it to accepted general causal models.

The analytical nature of the etic approach works well for brief observations of particular behaviors within a wide range of settings. Its goal is to focus on measurable data that can be compared to that from other cultural settings.

With this approach, a gender role study would more likely apply observed cultural data to previously recognized concepts of masculine and feminine. A study of cultural tattoos would similarly collect information about tattoos from a specific cultural environment and then try to determine meaning based on tattoo theories established from studies of other cultures.

Emic Approaches	**Etic Approaches**
1. Studies the behavior from within the system	Studies the behavior from outside the system

2. Examines only one culture	Examines many cultures, comparing them
3. Structure discovered by the analyst	Structure created by the analyst
4. Criteria are relative to internal characteristics	Criteria considered absolute or universal

Emic or Etic approach whichever is better, depends on the need of the organization.

Weaknesses of Etic Approaches:

- bad science
- Ignores ethnically specific behavior
- Obscures unique aspects of culture
- Treats diversity as measurement error
- Ignores within group variation
- There are more differences within groups than there are between groups
- Universalism promotes **Ethnocentric Monoculturalism**
- View other groups through own group's perspective
- Uses our own group for assessing the "goodness" or "adequacy" of another group's behavior.
- Views Differences as Deficits
- Maintains a sense of superiority
- Is an overtly oppressive basis for pseudo-scientific rationale for racism, sexism, and genocide

Strengths of Emic Approaches:

- Recognition of cultural uniqueness
- Non-ethnocentric (culturally relative)
- Focus on questions important to the ethnic/cultural group of interest
- Research with culturally appropriate theory and methods
- Agenda is independent of all other psychologies
- Proving universalism or uniqueness is not important.
- Applied humanistic perspective is useful & beneficial to the target group

Weaknesses of Emic Approaches:

- Culturally specific focus limit's ability to inform other psychological Perspectives.
- Ignores the influence of multiple cultures living in a single context.

Q11. How can presentation be made effective? How a presenter can control boredom during presentation? Should videos be used as part of Presentations? Justify.
Ans

An effective presentation makes the best use of the relationship between the presenter and the audience. It takes full consideration of the audience's needs in order to capture their interest, develop their understanding, inspire their confidence and achieve the presenter's objectives.

Seven stages in planning a presentation

1. Preparation

Many factors affect the design of your presentation. A powerful presenter will acknowledge and address each of the following:

- objectives;
- audience;
- venue;
- remit.

Objectives
Why you are making your presentation? Bear in mind what you want to achieve and what you want your audience to take away with them. Once you have decided upon your objectives, you are in a much better position to make strategic decisions about the design and tone of your presentation. For example, a presentation to a seminar group might require a balanced argument, whereas a charity appeal might require a more creative approach. Ask yourself:

- what do you want your audience to have understood?
- what action do you want your audience to take following your presentation?
- how can you best design your presentation to meet your objectives?

Audience
Your audience will have a variety of different experiences, interests and levels of knowledge. A powerful presenter will need to acknowledge these and prepare for and respond to them accordingly. Ask yourself:

- how much will your audience already know about your topic?
- how can you link new material to things they might already understand?
- will you need to win them over to a particular point of view?

You may not be able to answer these questions for each member of your audience, but you should have enough information to ensure that you have targeted your material at the right level for their needs. This might involve avoiding technical jargon or explaining abstract concepts with clear practical examples. If you fail to consider your audience's needs, you will fail to appeal to their interest and imagination.

Venue

Where will you be making your presentation? What will the room be like? What atmosphere will the physical conditions create? A large lecture theatre might create a formal atmosphere. Similarly, a seminar room might create a less formal tone. Ask yourself:

- what kind of atmosphere do you wish to create?
- how might the room arrangement affect your relationship with the audience?
- can you do anything to change the arrangement of the room to suit your objectives?
- what audio-visual aids can you use?

Remit

You may well have been given a remit for your presentation; you will need to stick to this. For example, you may have been asked to present a paper at a conference in a certain style or meet certain assessment criteria on your course. Ask yourself:

- how much time have you been allocated?
- are you required to stick to a common format or style?
- have any guidelines been set regarding the content of your presentation (i.e. a predetermined title, or a fixed number of overhead transparencies)?

2. Choosing your main points

Once you have thought about the design of your presentation, you can define your main points. Try presenting no more than three main points in a ten-minute presentation. Always allow time for an adequate introduction and conclusion. It is difficult for an audience to follow a more complex argument without significant help from the presenter. A powerful presentation delivers information in a logical, structured manner, building on the previous point and avoiding large jumps in sequence. Ask yourself:

- what are the main points you wish to make?
- are these points structured in a logical, coherent way?
- do these main points reflect your own objectives and take account of the needs of your audience?

3. Choosing your supporting information

The supporting information helps your audience understand, believe in and agree with your main points. This evidence might take the form of factual data, points of detail or an explanation of process. It might be presented in imaginative ways using diagrams, pictures or video segments. Think about:

- what will add *clarity* to your argument (explaining complex terms, reminding your audience of any supporting theories)?
- what will add *authority* to your argument (making connections with other people's work, quoting experts, offering evidence from your own research)?
- what will add *colour* to your argument (showing a video clip or a slide, using a practical example or a vibrant analogy)?

4. Establishing linking statements

The next stage is to develop the linear flow of your presentation. This can be achieved by using linking statements to show clearly how your main points fit together. Common linking statements include:

- "The next stage in our project was to …";
- "Another important issue of consideration was …";
- "By following this argument, we can now see that …".

Linking statements send signals to your audience, highlighting the next point in your argument, linking to earlier ideas or clarifying the stage you have reached in your argument overall. This may be of particular importance in a lengthy presentation where even the most effective presenter has to work hard to keep an audience involved.

5. Developing an opening

The introduction to your presentation is crucial. It is your first point of contact with your audience; you can either capture or lose your audience's interest in a matter of seconds. Use your introduction to lay a clear foundation for the presentation to follow. Try using the following structure:

- introduce yourself;
- state *what* you will be talking about (a title or subject area);
- state *how* you will be talking about it (e.g. by comparing test results or reviewing the supporting literature);
- state what you intend to be the outcome of your presentation (an informed group, a lively discussion);
- state what you expect your audience to do (listen, take notes, read a handout, ask questions before/during/after).

Always give your audience a moment to absorb this information before moving into your first main point.

6. Developing a conclusion

Your conclusion is another important stage in your presentation. You can use it to remind your audience of your main points, draw these points to a stimulating conclusion and leave your audience with a lasting impression of the quality of your presentation. The following structure provides a powerful conclusion:

- a review of your title or subject area
  "In this presentation I wanted to explore the relationship between X and Y.";
- a summary of your main points
  "We have discussed the following points…";
- a summary of the process you have been through
  "By looking at X we have found that Y …";

- a conclusion clearly drawn from your main points (this must be supported by the detail of your presentation)
  "It is clear that there can be no substantive relationship between X and Y";
- a parting statement to stimulate your audience's thoughts (this might be a question or a bold comment).

7. Reviewing your presentation

Once you have written your presentation make sure that you review its content. Ask yourself:

- Does the presentation meet your objectives?
- Is it logically structured?
- Have you targeted the material at the right level for your audience?
- Is the presentation too long or too short?

Ways through which Presenter can control boredom during presentation

1. Be mindful of the 10-minute rule:

It is a well-known fact that attention wanes after about 10 minutes. However, most presenters seem to forget this and continue to drone on for an hour or more; they move from mind-numbing slide to slide, unaware of the painful effect on the audience. When you create your presentation, plan to have a strategic change every 10 minutes. A change can be as simple as asking a good question that can stimulate some audience interaction. It can be showing a pertinent video clip, telling a relevant story or getting the audience to do something, such as analyzing a diagram. You can also press "B" on your keyboard to blacken your screen. Then switch to presenting the next segment in your presentation using a different medium, such as writing on a flipchart or whiteboard. Sameness generates boredom; a change, even minor, recaptures attention.

2. Use images:

In Brain Rules: 12 Principles for Surviving and Thriving at Work, Home, and School, Dr. John Medina reminds us that "Vision trumps all other senses." When we hear a piece of information, three days later we'll remember only 10 percent of it; but if we add a picture, we'll remember 65 percent. The message is loud and clear: Text-based slides are ineffective in maintaining attention and aiding memory. Spice up your presentations with images.

3. Represent bullets in graphical form:

Show some of the bullets on your slides in an appealing, visual way. The SmartArt feature in PowerPoint is a good choice, however, since most presenters use SmartArt, stand out from the crowd by buying different diagrams from sites

4. Honor the audience:

Nothing perks up an audience more than switching the limelight from you to them. A simple statement such as: "I know there is a great deal of talent in this room. I encourage you to bring that talent to bear and share your thoughts on the topic with the rest of the group."

5. Use alternatives to lecturing:

There are many alternatives to lecturing when you deliver information. For example, you can present one part of your presentation in the form of a mind map: Draw the mind map on a flipchart as you speak, animate the mind map in your slide or use mind-mapping software such as Match ware or Mindjet. Give it a try and see how it keeps the audience more focused on your presentation.

6. Connect the dots for people:

Help people see the flow of your presentation so that they can easily understand where you have been and where you are headed. Use signposts, such as "The first reason was . . .Now, I'll address the second reason...." Above all, insert transitions that help people understand why they should care: "What I am going to say next is especially crucial for the success of this project..."; "The one thing I would like you to remember is..."; "Why is this important to our company?"; "What does this mean for us?" These transitions answer the crucial "So what?" question in the audience's mind and helps to re-engage audience members who may have tuned you out.

7. Learn the art of the question:

Have a repertoire of questions that you can draw from in the moment. While we all know the value of open-ended questions, it is sometimes difficult to think of them on the spot. Above all, use questions that keep the conversation going when someone asks you a question or makes a comment. Here are a few to keep in your pocket: "What led you to this conclusion?" "How would you explain this?", "How does this tie in with...", "Could you give me an example of what you mean?", or simply, "Tell me more."

Yes, Videos should be used as part of Presentations because Videos are a great format to bring a message across:

They are engaging as they speak to all senses (seeing, hearing, reading)

They allow for a lot of information in a very short time

They are relatively simple to make and with the help of YouTube and others very easy to distribute

As part of a presentation, videos can be supportive or very destructive. The problem with videos is that they are very engaging. As a presenter, it is up to you to carry the talk: you are the main attraction. That’s why playing a video with sound in the middle of your talk is awkward; you lose the audience and become one of them. You are just another spectator and you need to be very good to get people’s attention back to you after the video played.

Q12. You are applying for the job of marketing manager in an organization. Write your resume and application letter for the same.

Ans.5 Marketing Manager Application letter**:**

XXX (Name of the Applicant)

15 Park WaySometown, CA 55555
Home: 555-555-5555 | Cell: 444-444-4444
marie@anydomain.com

Available to Relocate

[Date]
Ms. Janet Ramos
VP Marketing
XYZ Company
1515 Market St.
Some town, CA 55555

Re: Marketing manager position advertised on Monster.com

Dear Ms. Ramos:
I read your advertisement for a marketing manager with great interest. If you are seeking to augment your leadership team with an experienced and accomplished marketing professional known for breakthrough results, please consider my enclosed resume.

As JKL Company's marketing manager since 2015, I direct all phases of both the creative and technical elements of marketing initiatives including data mining, brand creation, print/Web collateral development, lead generation, channel partner cultivation, customer segmentation/profiling, as well as CRM and acquisition strategies.

Perhaps most importantly, I offer a history of proven results, as evidenced by the following marketing accomplishments for my current employer:
Captured a 28% expansion in customer base since 2015, achieved during a period of overall decline in the retail industry.
Led national marketing campaign (comprised of trade show, media and PR initiatives) of company's newly launched technology services division.
Developed and executed SEO strategy that achieved and sustained top 3 rankings on Google and Bing (organic, nonpaid results) for key product search terms.
Oversaw creation of new company logo and rebranded 100+ products to cement a cohesive corporate identity and support new company direction.
Given the opportunity, I'm confident in my ability to achieve similar groundbreaking marketing results for XYZ Company.
Ms. Ramos, I would welcome the chance to discuss your marketing objectives and ways I can help you attain them. Feel free to call me at 555-555-5555 to arrange a meeting. I look forward to peaking with you.

Sincerely,

XXX
Enclosure: Resume

Resume of Marketing Manager
Mary Mane
456 Central Street
City, ST 12345
MaryMane@email.com
https://www.linkedin.com

SUMMARY
Experienced marketing manager with a history of improving ROI and increasing customer engagement through multifaceted marketing campaigns.

EXPERIENCE
Marketing Manager | Major Marketing
2015 – Present | City, State
• Utilize Google Analytics to gather essential marketing metrics
• Develop marketing campaigns which have historically increased sales by an average of 15 percent each quarter• Oversee marketing budget and optimize advertising use for a savings of $250,000 in 2017

Marketing Manager | Computer Co.
2012 – 2015 | City, State
• Oversaw affiliate program and increased revenue through affiliates by 250 percent over two years
• Launched the viral Dancing Cat campaign, which generated an average of $300,000 in daily sales for related product lines
• Increased conversion rates 20 percent with influencer marketing campaigns
Assistant Marketing Manager | Tech Corp.
2010 – 2012 | City, State
•Monitored sales trends and generated detailed reports for department heads
• Increased international sales by 40 percent over 12 months through targeted content marketing campaigns
• Oversaw social media marketing campaigns
EDUCATION
BA in Marketing | State University | 2010
SKILLS
• Strong writing skills, with experience in generating engaging content that successfully drives

conversions
• Analytical knowledge and the ability to accurately assess and respond to customer engagement trends
• Leadership, communication, and conflict resolution skills that promote team collaboration.

Q13. What are the various steps involved in writing a project report? Explain in detail the format of a project report. (15)

A report can be defined as a testimonial or account of some happening. It is purely based on observation and analysis. A report gives an explanation of any circumstance. In today's corporate world, reports play a crucial role. They are a strong base for planning and control in an organization, i.e., reports give information which can be utilized by the management team in an organization for making plans and for solving complex issues in the organization.

Steps in writing a report:

STEP 1: Analyze the Task. As with any assignment task, one must first analyze what is expected. This involves careful reading of the assignment task as outlined in the course information book. One may find the following questions useful when analyzing the task:

What is the purpose of the report?
(It could be analyzing, persuading or reporting on an investigation.)

Who is the audience for the report?

STEP 2: Develop a Rough Plan: Use the section headings to assist with the rough plan. Write a thesis statement that clarifies the overall purpose of the report. Jot down anything that is already known about the topic in the relevant sections.

STEP 3: Do the Research: This step of the research work takes most of the time as it is the most important part. One must ensure to keep correct bibliographic details of all of the material one may later use in the report.

STEP 4: Draft the Body of the Report:

Introduction - The purpose of the report. The thesis statement will be useful here. Background information may include a brief review of the literature already available on the topic. It may include some brief details of the methods and an outline of the structure of the report.

Literature Review - If asked to do a separate literature review, one must carefully structure the findings. It may be useful to do a chronological format where discussion goes from the earliest to the latest research, placing the research appropriately in the chronology. Alternately, one could write in a thematic way, outlining the various themes discovered in the research regarding the topic.

Methodology – Here one clearly outlines the methodology used in the research i.e. what has been one and how it has been done. It must be clearly written so that it would be easy for another researcher to duplicate the research if they wished to. It is usually written in a 'passive' voice (e.g. the participants were asked to fill in the questionnaire attached in Appendix 1) rather than an 'active' voice (e.g. I asked the participants to fill in the questionnaire attached in Appendix 1). Clear reference of any material used from other sources should be given. Also, all the diagrams, charts, and graphs should be clearly labeled and numbered. They should be relevant to the research and add substance to the text rather than just duplicating what is being written otherwise. Results should not be discussed here.

Results - This is where one must indicate what is found in the research. The results are given but not interpreted.

Discussion - This is where one should discuss the relevance of the results and how the findings fit with other research in the area. It will relate back to the literature review and the introductory thesis statement.

Conclusion - This is a summary of the most significant results/findings. One should not include any new material in this section. Also, one could indicate some areas where the research has limits or where further research would be useful.

Recommendations - This includes suggestions for what needs to be done as a result of the findings. Recommendations are usually listed in order of priority.

STEP 5: Draft the Supplementary Material:
References or Bibliography - This includes all references used in the report or referred to for background information. This must be done using the referencing convention specified by the lecturer or tutor.
Appendices - These should add extra information to the report. If one includes appendices, they must be referred to in the body of the report and must have a clear purpose for being included. Each appendix must be named and numbered.

STEP 6: Draft the Preliminary Material:
Title of Report –One must make sure this is clear and indicates exactly what is being researched.
Table of Contents –It should contain all sections, sub headings, tables, graphs, appendices and page numbers.

Abstract/Synopsis - This gives a very brief overview of the report in a condensed form.

STEP 7: Polish the Report:
The final step is checking the report to ensure one has followed all the guidelines as outlined in the course information.

The format of a project report is given below:

1. Cover Page & Title Page
2. Certificate from the project supervisor(s), counter signed by the HoD / Division or Group Head
3. Declaration by author(s)
4. Abstract
5. Table of Contents
6. List of Symbols, Abbreviations and Nomenclature
7. Chapters
8. Appendices
9. References

Ques 14. Explain the functions and layout of various types of letters (15)

Ans-

Functions of a Business letter

Business letters secure, promote and maintain business without complications, Business letters serve us a reference for the future. Every organization should have to classify its outgoing mail and incoming mail and file them classified on the basis of their subject matter in a chronological sequence. Business letters serve to maintain the correct information of the organization in the perception of the receiver. Business letters establish and maintain contacts over a wide area truly enlarging the scope and extent of business. Business letters can be used as legal documents in disputes. All business letters promote goodwill and enhance the prestige and the image of the organization.
We can enumerate the functions of a business letter thus:
(a) **Promotional Functions**: Business organizations have to grow and enlarge, improving the quality of their products, by producing new products and providing better services. The customers have to be kept informed through letters these developments. Business organizations have to expand their market by tapping new areas. All round expansion is possible only if the organization keeps all the people concerned well informed through letters that promote sales and service.
(b) **Informational Functions:** Business letters provide valuable data about earlier policies, transactions and all other activities of the organization. Modern business cannot depend on memory as in olden days. Letters are ready references if they are available. New policies can be

evolved by studying the earlier ones. It is not only essential to maintain good correspondence but also more essential to make them be available in the files.

(c) **Legal Functions:** Business letters can provide evidence in legal disputes, if any, that occur in a transaction. They are useful as legal documents in quotations and offers.

(d) **Goodwill Functions:** Business letters promote goodwill among parties transacting business. They build a good rapport between parties in a business transaction.

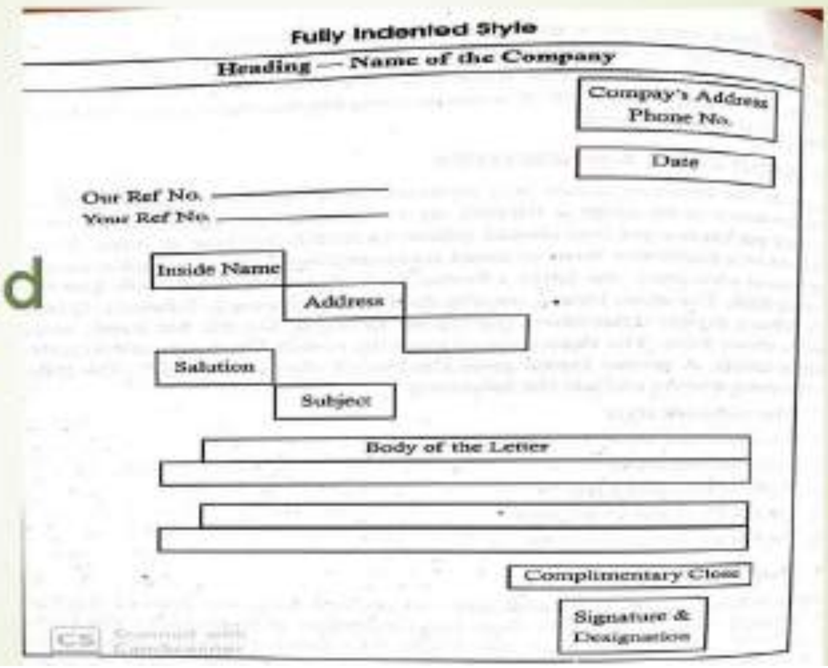
All these functions of a business letter promote sales and improve the image of the firm. So, every business letter is a sales letter if it serves the stated or implied objectives.

1. **Business letters:** If we were to define business letters, we could say that **business letters are simply letters dealing with business**. They can be external mail sent by one company to another or internal correspondence to the employees of the company. The Business letters are a sort of company visiting card. The most frequently used layout of business letters is the block style, where all elements are aligned with the left-hand margin, except the heading, which is usually centered.
2. **letters** are a professional courtesy, meant to acknowledge the receipt of something, or to acknowledge a fact or an error. It usually entails a short detail of the day something arrived and a note of thanks.
3. **Complaint letters** are meant to bring to notice an error or a defect. They could be applicable to a company or an individual, and they typically seek a redress or adjustment. They are generally descriptive with a formal tone that should express displeasure, but the tone should not be overtly angry. You should address the problem and try to offer a solution to rectify the situation. See the example complaint letter below.

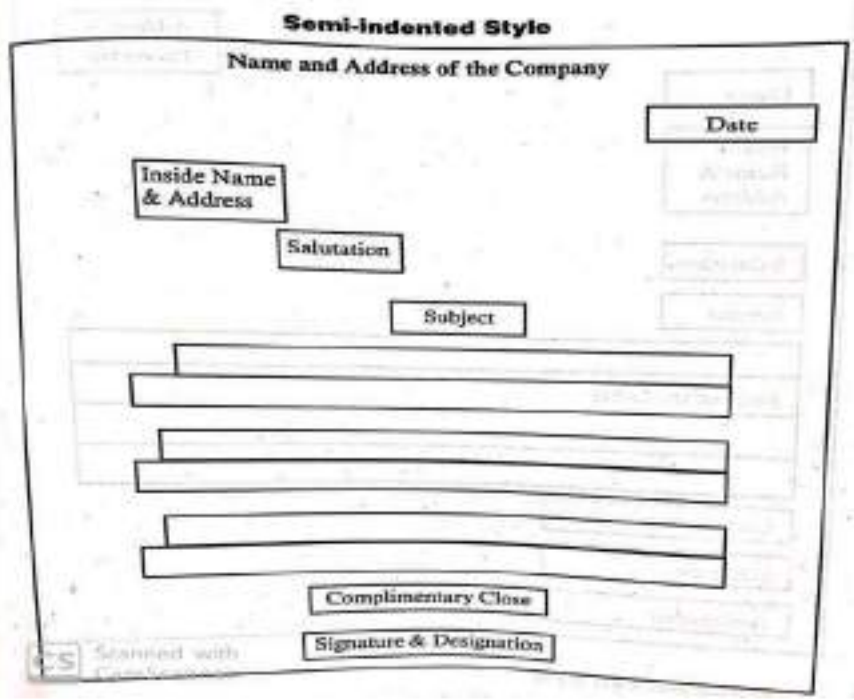
4. **Adjustment letters**: These follow a complaint letter and encompass the company or individual response to a complaint. The tone has to be humble, as it is a goodwill-building exercise. The complainant has been inconvenienced; this letter should acknowledge the mistake and list out concrete solutions for resolving the issues.
5. **Inquiry letters:** These are letters of request for something or a response to a request sent by someone. The purpose of the letter is to obtain the information or object requested.
6. **Order letters:** Also known as purchase orders, these letters are used to order or buy material. Essentially documenting a transaction between buyer and seller, this is a legal document.
7. **Recommendation letters** are sometimes requested from former co-workers that are seeking a letter to go to a new or potentially new employer. They also can be sent to schools or other such entities. They usually are employment references, character references, or academic references. For business writing purposes, they generally fall into the employment reference category. An employment recommendation letter should tell why the person the letter is about is a good person to hire. Describing their strengths and abilities is the primary purpose.

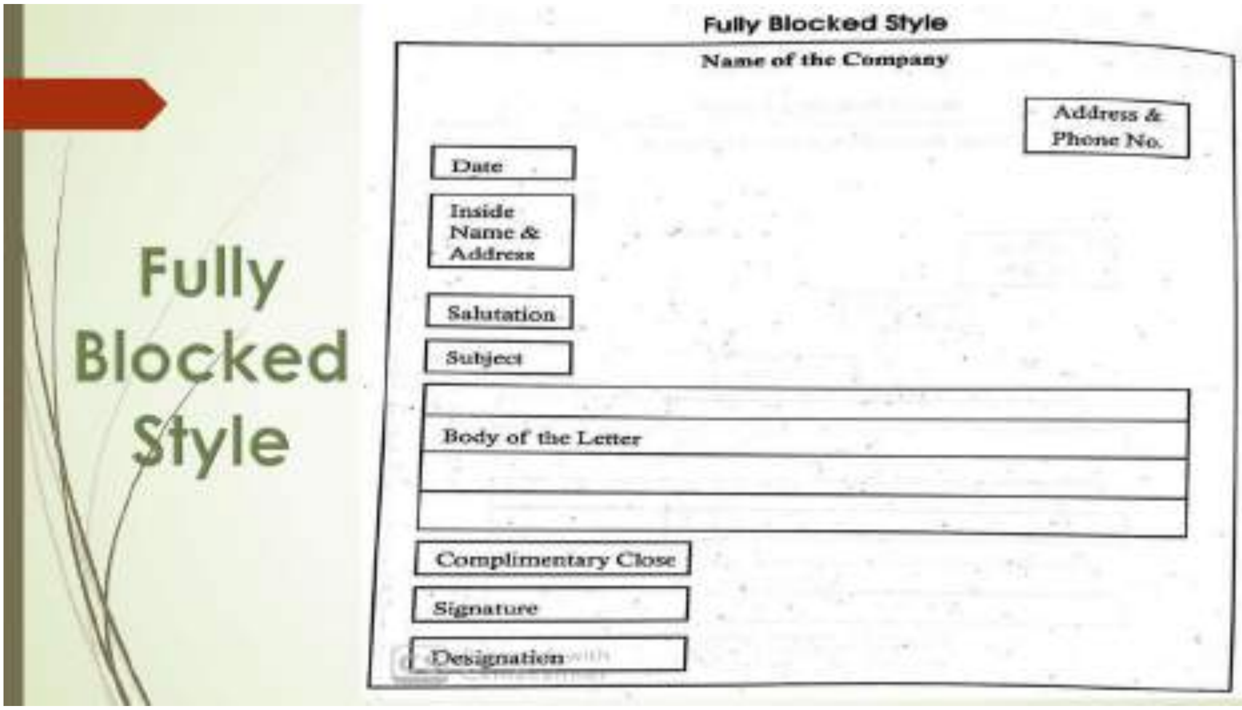
Various types of layout are as following:

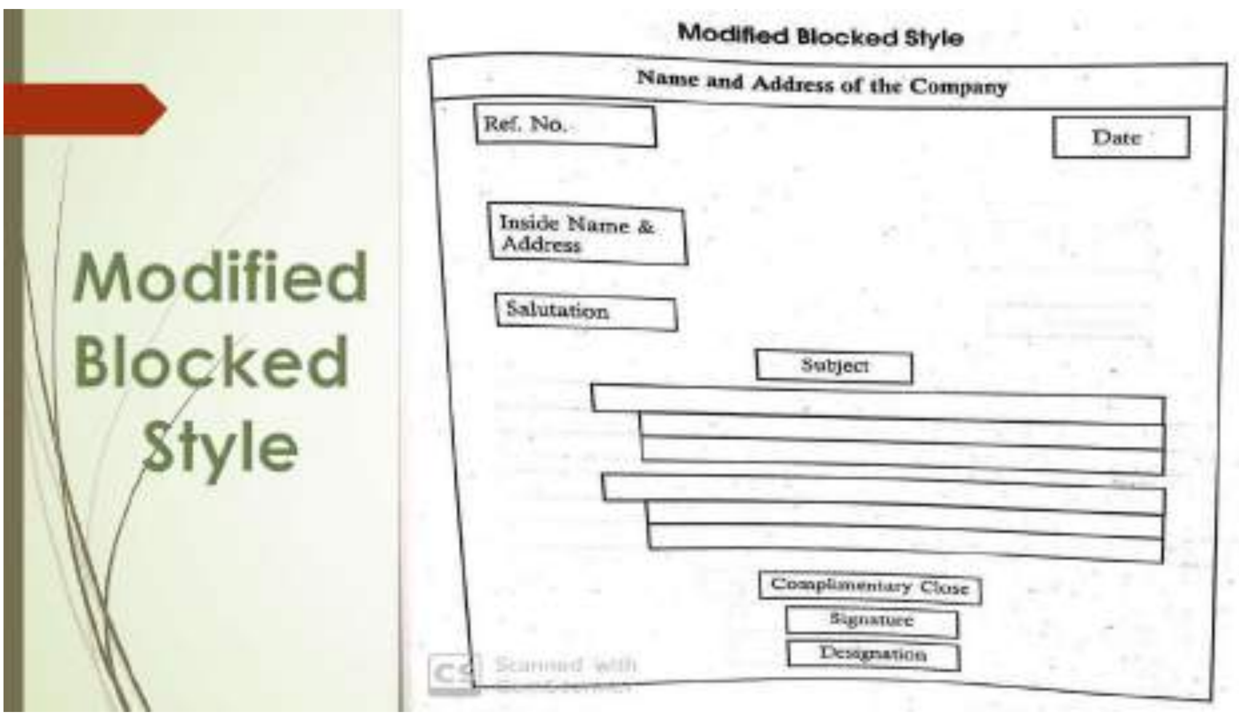
Fully Indented Style



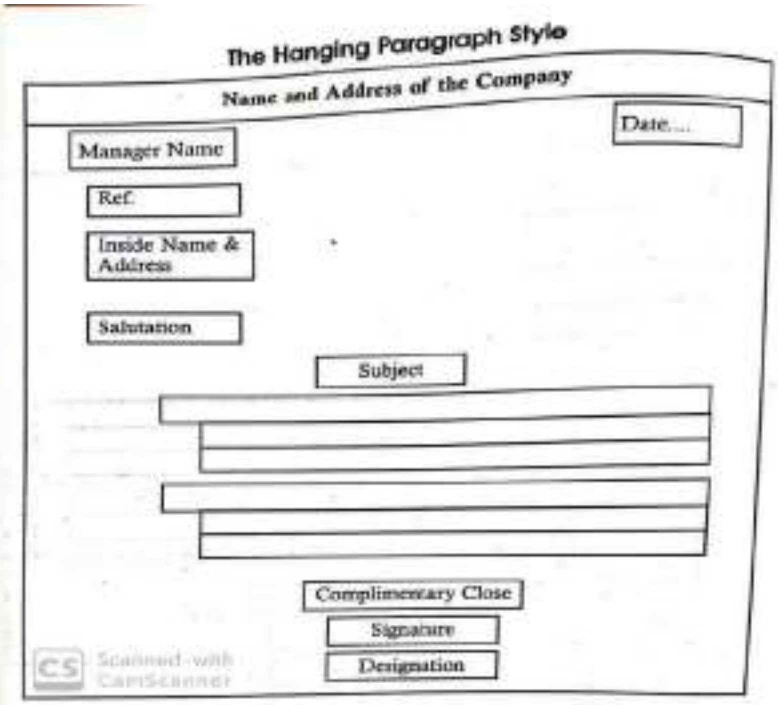
Semi-Indented Style



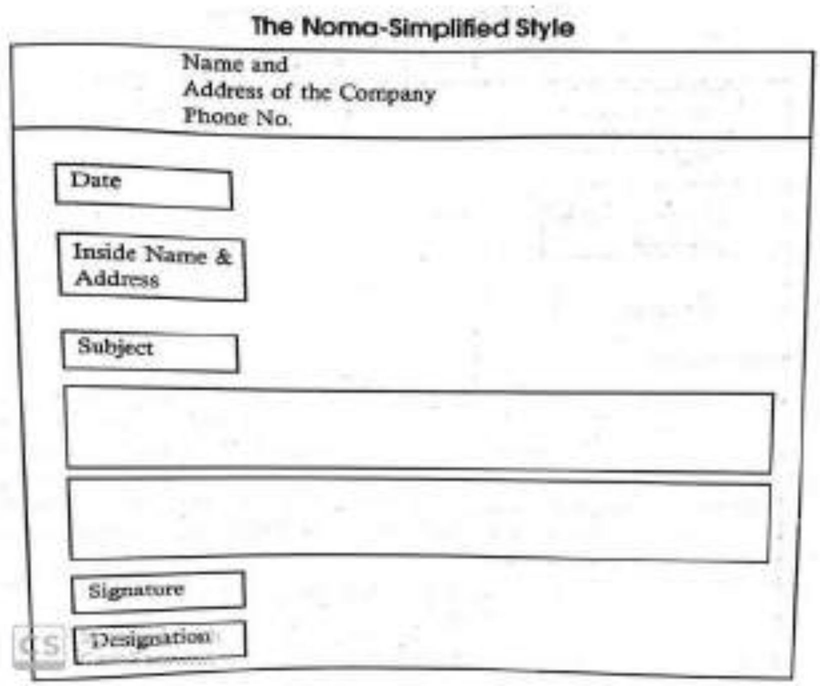

Fully Blocked Style
Fully Blocked Style
Name of the Company
Address & Phone No.
Date
Inside Name & Address
Salutation
Subject
Body of the Letter
Complimentary Close
Signature
Designation


Modified Blocked Style
Modified Blocked Style
Name and Address of the Company
Ref. No.
Date
Inside Name & Address
Salutation
Subject
Complimentary Close
Signature
Designation

Hanging Paragraph Style



Noma Simplified Style



END TERM EXAMINATION

FIRST SEMESTER [MBA] JANUARY 2024

Paper Code: MS-107 | Subject: Accounting for Management
MFM-107
MBA (A)-103
MFA-101
MIB-107

Time: 3 Hours | Maximum Marks: 60

Note: Attempt any five questions.

Q1 What are the different types of errors which may happen in account keeping? Give their classification. Which of these do not affect trial balance? How can these errors be rectified? Explain with illustrative example. (1) (12)

Q2 a) Prepare a Flexible budget for overheads based on the following data. Ascertain the overhead rates at 50% and 60% capacity. – (8)

Variable overheads:	At 60% capacity (Rs)
-Indirect Material	6000
-Labour	18000
Semi-variable overheads:	
-Electricity: (40% Fixed & 60% variable)	30000
-Repairs: (80% fixed & 20% Variable)	3000
Fixed overheads:	
-Depreciation	16500
-Insurance	4500
-Salaries	15000
Estimated direct labour hours	186000

b) What is responsibility accounting? What is its significance for a business? (4)

Q3 What is the meaning of absorption of overhead costs? How does over or under absorption of overheads affect the profits of a firm? How absorption is different from allocation? (5) (12)

Q4 a) Annual consumption of an item in a manufacturing company is 400 units. The price of one item is Rs. 100. If the carrying cost is 10% per unit p.a. and ordering cost is Rs. 500 per order, what is the economic order quantity and number of orders? What is the importance of economic order quantity? (4)

b) From the following date, prepare a Cost Sheet for the year 2022. Number of Units produced: 10,000 Units.

Particulars	Amount in Rs.
Opening Stock of Raw Materials	300000
Purchase of Raw Materials	800000
Closing Stock of Raw Materials	100000
Carriage Outward	8000
Wages Indirect	20000
Salary Office	50000

Salary - Sales Office	40000
Other Factory Expenses	50000
Trade Fair Expenses	20000
Depreciation on Factory Office	30000
Depreciation on Office Building	20000
Depreciation on Sales Office	20000
Other Overheads	50000
Advance Interest Received	40000
Custom Duty Paid for Purchase of Raw Material	500000
Debenture Interest Paid	50000
Freight Inward	20000
Custom Duty Paid for Purchase of Plant	50000
Direct Wages	200000
Other Direct Charges	50000
Goodwill written off	5000
Number of units sold – 8000 units at cost plus 18% profit	

Other overheads are to be allocated to Factory, Office and Selling in the ratio of 2:1:2. (8)

Q5 What is the importance of variance analysis in cost accounting? Explain various material and labour cost variances. Why do these variances occur? (12) (2)

Q6 The sales and profits of Ayushman Ltd.during previous two years were as given below:

Year	Total Sales (₹)	Total Cost (₹)
2020	300000	260000
2021	340000	290000

(4)

You are required to compute: (i)P/V Ratio; (ii) Break-even Point; (iii) Sales required to reach a profit of ₹ 40,000; (iv) Profit made when sales amount is ₹ 2,50,000; (v) Margin of Safety when sales are ₹ 2,50,000. (12)

Q7 a) Explain the ratios to assess the long run solvency of a firm. How are these ratios computed? Give examples. (6) (3)

b) What is life cycle costing? What is the significance of this type of costing? (6)

Q8 a) Following are the extracts from the Trial Balance of M/S Amrit Ltd.

Trial Balance
as on 31.3.2021

Particulars	Amount (Rs.)
Sundry Debtors	30000
Bad Debts	5000

Additional Information:

i) After preparation of Trial Balance, it is learnt that a debtor Mr. Yograj has become insolvent and therefore the entire amount of Rs. 3000 due from him was irrecoverable.

ii) Create 10% provision for bad and doubtful debts.

You are required to pass necessary adjustment entries and show how the items will appear in the firm's Balance Sheet. (8)

b) What is the difference between capital and revenue expenditure? Give two examples where revenue expenditure are capitalized. (2+2=4)

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SOLUTION SET

END TERM EXAMINATION

FIRST SEMESTER, DEC.- JAN. 2023-24

Paper Code: MS 107 /MFM 107	**Subject: Accounting for Management**

Time: 3 Hours **Maximum Marks: 60**

Note: Attempt any five questions.

Q 1. What are the different types of errors which may happen in account keeping? Give their classification. Which of these do not affect trial balance? How can these errors be rectified? Explain with illustrative example.

Ans: Classification of Errors: Keeping in view the nature of errors, all the errors can be classified into the following four categories:

- Errors of Commission
- Errors of Omission
- Errors of Principle
- Compensating Errors

Errors of Commission: These are the errors which are committed due to wrong posting of transactions, wrong totaling or wrong balancing of the accounts, wrong casting of the subsidiary books, or wrong recording of amount in the books of original entry, etc. For example: Raj Hans Traders paid Rs. 25,000 to Preetpal Traders (a supplier of goods). This transaction was correctly recorded in the cashbook. But while posting to the ledger, Preetpal's account was debited with 2,500 only. This constitutes an error of commission. Such an error by definition is of clerical nature and most of the errors of commission affect in the trial balance.

Errors of Omission: The errors of omission may be committed at the time of recording the transaction in the books of original entry or while posting to the ledger. These can be of two types: (i) error of complete omission (ii) error of partial omission When a transaction is completely omitted from recording in the books of original record, it is an error of complete omission. For example, credit sales to Mohan 10,000, not entered in the sales book. When the recording of transaction is partly omitted from the books, it is an error of partial omission. If in the above example, credit sales had been duly recorded in the sales book but the posting from sales book to Mohan's account has not been made, it would be an error of partial omission.

Errors of Principle: Accounting entries are recorded as per the generally accepted accounting principles. If any of these principles are violated or ignored, errors resulting from such violation are known as errors of principle. An error of principle may occur due to incorrect classification of expenditure or receipt between capital and revenue. This is very important because it will have an impact on financial statements. It may lead to under/over stating of income or assets or liabilities, etc. For example, amount spent on additions to the buildings should be treated as capital expenditure and must be debited to the asset account. Instead, if this amount is debited to maintenance and repairs account, it has been treated as a revenue expense. This is an error of principle. Similarly, if a credit purchase of machinery is recorded in purchases book instead of journal proper or rent paid to the landlord is recorded in the cash book as payment to landlord, these errors of principle. These errors do not affect the trial balance.

Compensating Errors: When two or more errors are committed in such a way that the net effect of these errors on the debits and credits of accounts is nil, such errors are called compensating errors. Such errors do not affect the tallying of the trial balance. For example, if purchases book has been overcast by Rs. 10,000 resulting in excess debit of Rs. 10,000 in purchases account and sales returns book is undercast by Rs. 10,000 resulting in short debit to sales returns account is a case of two errors compensating each other's effect. One plus is set off by the other minus, the net effect of these two errors is nil and so they do not affect the agreement of trial balance.

Account keeping, often referred to as accounting, involves the systematic recording, summarizing, analyzing, and reporting of financial transactions and information pertaining to a business or organization. This practice enables stakeholders to make informed decisions by providing an accurate and reliable overview of the financial health and performance of the entity.

In accounting, errors can be broadly classified into two categories:

1. **Errors affecting Trial Balance (TB)**: The errors which affect only one account can be rectified by giving an explanatory note in the account affected or by recording a journal entry with the help of the Suspense Account. Suspense Account is explained later in this chapter. Examples of such errors are error of casting; error of carrying forward; error of balancing; error of posting to correct account but with wrong amount; error of posting to the correct account but on the wrong side; posting to the wrong side with the wrong amount; omitting to show an account in the trial balance. An error in the books of original entry, if discovered before it is posted to the ledger, may be corrected by crossing out the wrong amount by a single line and writing the correct amount above the crossed amount and initialing it. An error in an amount posted to the correct ledger account may also be corrected in a similar way, or by making an additional posting for the difference in amount and giving an explanatory note in the particular's column. But errors should never be corrected by erasing or overwriting reduces the authenticity of accounting records and give the impression that something is being concealed. A better way therefore is by noting the correction on the appropriate side for neutralizing the effect of the error. Take for example a case where Shyam's account was credited short by Rs. 190. This will be rectified by an additional entry for Rs. 190 on the credit side of his account as follows.

Shyam's Account

Dr. Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
					Difference in amount posted short on		190

When the errors are located and the specific accounts and amounts involved are identified, the amounts are transferred from suspense account to the relevant accounts thereby closing the suspense account. Thus, suspense account is not placed in any particular category of accounts and is just a temporary phenomenon. While rectifying one-sided errors using suspense account, the following steps are taken:

(i) Identify the account affected due to error.

(ii) Ascertain the amount of excess debit/credit or short debit/credit in the affected account.

(iii) If the error has resulted in excess debit or short credit in the affected account, credit the account with the amount of excess debit or short credit.

(iv) If the error has resulted in excess credit or short debit in the affected account, debit the account with the amount of excess credit or short debit.

(v) Complete the journal entry by debiting or crediting the suspense account as another account affected otherwise.

2. **Rectification of Errors in the Next Accounting Year:** If some errors committed during an accounting year are not located and rectified before the finalization of financial statements, suspense account cannot be closed, and its balance will be carried forward to the next accounting period. When the errors committed in one accounting year are located and rectified in the next accounting year, profit and loss adjustment account is debited or credited in place of accounts of expenses/losses and incomes/ gains to avoid impact on the income statement of next accounting period. You will learn about this aspect at an advanced stage of your studies in accounting.

Errors not affecting Trial Balance (TB): These errors do not impact the equality of debits and credits in the trial balance. They include:

a. **Errors of original entry**: Incorrectly recording an amount in a journal or ledger.

b. **Errors of reversal**: Recording a transaction but with debits and credits reversed.

c. **Errors of duplication**: Recording a transaction twice.

d. **Errors of complete reversal**: Recording a transaction with both sides completely reversed.

Among these, errors not affecting the trial balance (such as errors of original entry, reversal, duplication, and complete reversal) do not directly impact the equality of debits and credits.

Rectifying these errors involves different approaches:

- **Errors affecting the trial balance** can be rectified by making adjusting entries to correct the mistake directly. For example, if an entry was omitted, it should be recorded, or if a wrong amount was entered, a correcting entry should be made to rectify it.
- **Errors not affecting the trial balance** can be corrected without directly altering the trial balance. For instance, if an entry was recorded twice, one of the entries can be reversed to rectify the mistake.

Rectification of Errors which do not Affect the Trial Balance:

These errors are committed in two or more accounts. Such errors are also known as two sided errors. They can be rectified by recording a journal entry giving the correct debit and credit to the concerned accounts.

Examples of such errors are – complete omission to record an entry in the books of original entry; wrong recording of transactions in the book of accounts; complete omission of posting to the wrong account on the correct side, and errors of principle.

The rectification process essentially involves:

• Cancelling the effect of wrong debit or credit by reversing it; and

• Restoring the effect of correct debit or credit.

For this purpose, we need to analyze the error in terms of its effect on the accounts involved which may be:

(i) Short debit or credit in an account; and/or

(ii) Excess debit or credit in an account.

Therefore, rectification entry can be done by:

(i) debiting the account with short debit or with excess credit,

(ii) crediting the account with excess debit or with short credit.

The procedure for rectification for such errors is explained with the help of following **Illustrative examples**:

(a) Credit sales to Mohan Rs. 10,000 were not recorded in the sales book. This is an error of complete omission. Its affect is that Mohan's account has not been debited and Sales account has not been credited. Accordingly, recording usual entry for credit sales will rectify the error.

Mohan's A/c Dr. 10,000

To Sales A/c 10,000

(b) Credit sales to Mohan Rs. 10,000 were recorded as Rs. 1,000 in the sales book. This is an error of commission. The effect of wrong recording is shown below:

Mohan's A/c Dr. 1,000

To Sales A/c 1,000

Correct effect should have been:

Mohan's A/c Dr. 10,000

To Sales A/c 10,000

Now that Mohan's account has to be given an additional debit of Rs. 9,000 and sales account has to be credited with additional amount of Rs. 9,000, rectification entry will be:

Mohan's A/c Dr. 9,000

To Sales A/c 9,000

Q 2 (a)

Flexible Budget for Overheads

	Capacity	
	50% (₹)	**60% (₹)**
Variable Overheads – Indirect Material	5,000	6,000
Indirect Labour	15,000	18,000
Semi-variable Overheads		
(a) ***Electricity***- Fixed	12,000	12,000
Variable	15,000	18,000
(b) Repairs - Fixed	2,400	2,400
Variable	500	600
Fixed Overheads – Depreciation	16,500	16,500
Insurance	4,500	4,500
Salaries	15,000	15,000
Total Overheads	**85,900**	**93,000**
Estimated direct labour hours	1,55,000	1,86,000
Overhead rate per direct labour hour= (Total overheads / Estimated direct labour hours)	**0.55**	**0.50**

Working Note:

Electricity at 50% capacity= 18,000*50/60 = 15,000

12,000+ 15,000= 27,000

60% capacity = 18,000 + 12,000 = Rs. 30,000.

Repairs for 60% capacity= Rs. 600

= Rs. 2400 + Rs. 600 = Rs. 3,000

At 50% Capacity= 600/60*50 = Rs. 500

= Rs. 2,400 + Rs. 500= Rs. 2,900

Q 2 b) What is responsibility accounting? What is its significance for a business?

Ans: Responsibility accounting is a system that involves the process of decentralizing and delegating responsibility within an organization. It holds individual managers or departments accountable for specific aspects of the company's operations, such as costs, revenues, or assets under their control. This approach allows for the evaluation of performance and accountability at various levels within the organization.

Key components of responsibility accounting include:

1. **Identification of Responsibility Centers**: Responsibility accounting divides an organization into various responsibility centers, such as cost centers, revenue centers, profit centers, and investment centers. Each center is responsible for specific functions and outcomes.

2. **Setting Performance Standards**: Clear and measurable standards are established for each responsibility center based on predetermined targets, budgets, or benchmarks. These standards act as performance indicators against which actual performance is evaluated.

3. **Performance Measurement and Reporting**: Actual performance is regularly measured and compared against the predetermined standards. Reports are generated to assess how well each responsibility center has performed in terms of costs incurred, revenues generated, profitability, or other relevant metrics.

4. **Taking Corrective Actions**: Deviations between actual performance and standards are analyzed. If there are significant discrepancies, corrective actions are taken to address the issues and improve performance in subsequent periods.

Significance of Responsibility Accounting for a Business:

1. **Enhanced Performance Evaluation**: It allows for a more accurate assessment of the performance of different departments or managers within the organization. This evaluation helps in recognizing high-performing areas and addressing areas that need improvement.
2. **Accountability and Motivation**: By assigning specific responsibilities to various departments or managers, responsibility accounting encourages accountability. Managers are motivated to achieve the set targets and take ownership of their performance.
3. **Improved Decision-Making**: It provides valuable information for decision-making by highlighting the performance of various segments of the organization. Managers can use this data to make informed decisions related to resource allocation, cost control, pricing strategies, and more.
4. **Efficient Resource Utilization**: Responsibility accounting helps in identifying areas of inefficiency or excessive costs within the organization. This information enables management to allocate resources more efficiently and effectively.
5. **Goal Alignment**: It aligns the goals of individual managers or departments with the overall objectives of the organization. This alignment ensures that efforts are directed towards achieving the organization's overarching goals.

Overall, responsibility accounting is an effective management tool that aids in evaluating performance, fostering accountability, making informed decisions, and ultimately improving the overall efficiency and effectiveness of an organization's operations.

Q 3. What is the meaning of absorption of overhead costs? How does over or under absorption of overheads affect the profits of a firm? How absorption is different from allocation?

Ans: Absorption of overhead costs refers to the process of including all indirect costs or overheads, such as rent, utilities, depreciation, and other indirect production expenses, into the cost of a product or service. This absorption is necessary to determine the total cost of producing goods or providing services.

Overhead costs are typically not directly attributable to specific products or services, making it essential to allocate or absorb these costs across the entire range of produced goods or provided services.

Over or Under absorption of overheads: Overhead expenses are usually applied to production on the basis of predetermined rates. The predetermined rates may represent estimated, actual or normal costs. In either case, the amount of expenses actually incurred, and the number of overheads applied to production will seldom be the same. Some difference is inevitable. If the actual expenses fall short of the amount applied, there is said to be an over-absorption of overheads, and, conversely, if the actual expenses exceed the amount applied to production, it is a case of under-absorption. Such over or under-absorption may also be termed as overhead variance, the amount of over-absorption being represented by the credit balance on the variance account, and, conversely, the amount of under- absorption by a debit balance.

Over or under absorption of overheads can significantly impact the profits of a firm:

Overhead expenses are usually applied to production based on predetermined rates. The predetermined rates may represent estimated, actual or normal costs. In either case, the amount of expenses actually incurred, and the number of overheads applied to production will seldom be the same. Some difference is inevitable. If the actual expenses fall short of the amount applied, there is said to be an over-absorption of overheads, and, conversely, if the actual expenses exceed the amount applied to production, it is a case of under-absorption. Such over or under-absorption may also be termed as overhead variance, the amount of over-absorption being represented by the credit balance on the variance account, and, conversely, the amount of under- absorption by a debit balance.

1. **Over-absorption of Overheads**: This occurs when the actual overhead costs incurred are less than the absorbed overheads. It means that the overheads allocated to products or services are higher than the actual costs. As a result, the cost of production appears higher than it actually is, potentially leading to overpricing and reduced competitiveness. This

situation might inflate the cost of goods sold, impacting the reported profit margin negatively.

2. **Under-absorption of Overheads**: Conversely, under-absorption happens when the actual overhead costs exceed the absorbed overheads. In this case, the costs allocated to products or services are less than the actual costs incurred. It leads to a situation where the cost of production appears lower than it actually is, potentially causing underpricing and reduced profitability. It might result in lower reported costs of goods sold, impacting the reported profit margin positively but inaccurately.

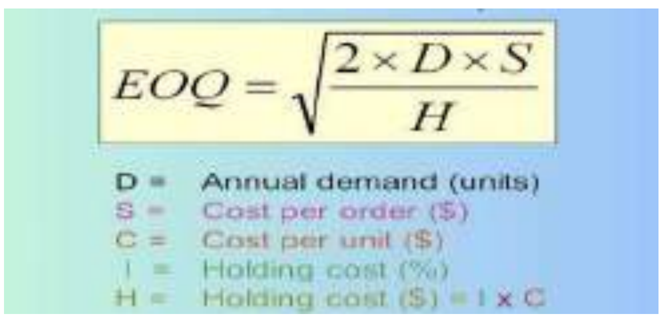
Difference between Absorption and Allocation:

- **Absorption**: Absorption involves the incorporation of all overhead costs into the cost of production. It aims to reflect the full cost of producing goods or services, including both direct and indirect costs. Absorption costing is often used for external reporting purposes and for inventory valuation under generally accepted accounting principles (GAAP).
- **Allocation**: Allocation, on the other hand, refers to the process of assigning or distributing indirect costs to various cost centers, departments, products, or services based on a predetermined basis, such as labor hours, machine hours, or square footage. Allocation does not necessarily include all overheads in the cost of production but rather spreads them across different areas based on a chosen allocation base.

In summary, absorption of overhead costs is crucial to accurately determine the total cost of production. Over or under absorption of overheads can distort the reported profits, affecting pricing strategies, cost control measures, and decision-making within a firm. Absorption differs from allocation in that absorption aims to capture all overhead costs in the cost of production, while allocation distributes costs based on specific criteria without necessarily including all overheads in the final product cost.

Q 4 (a). Annual consumption of an item in a manufacturing company is 400 units. The price of one item is Rs. 100. If the carrying cost is 28 and ordering cost is Rs. 500 per order, what is the10% per unit. economic order quantity and number of orders? What is the importance of economic order quantity?

Ans: EOQ: The basic problems of material control are two viz., what quantity of an item should be ordered at a time and when should an order be placed. While deciding economic ordering quantity, the efforts are directed to ascertain the ideal order size. While deciding the ideal order size, factors such as material carrying charges and the ordering cost associated with the placement of purchase orders are to be considered; the total of both has to be minimized. The material carrying charges include interest on the capital invested in the stores of materials, rent for the storage space, salaries and wages of the store-keeping department, any loss due to pilferage and deterioration, stores insurance charges, stationery, etc. used by the stores, taxes on inventories, etc. Ordering costs may include rent for the space used by the purchasing department, the salaries and wages of officers and staff in the purchasing department, the depreciation on the equipment and furniture used by the department, postage, telegraph charges and telephone bills, the stationery and other consumables required by the purchasing department, any travelling expenditure incurred, and the costs of inspection etc., on receipt of material. The optimum ordering quantity, i.e., the quantity for which the cost of holding plus the cost of purchasing is the minimum is known as Economic ordering Quantity and is calculated by the following formula:



EOQ = √ (2 x 400 x 500 / 10) = 200Units

Importance of economic order quantity:

The Economic Order Quantity (EOQ) is a crucial concept in inventory management and has several important implications for businesses. Here are some key points highlighting its importance:

1. **Optimal Inventory Levels**: EOQ helps businesses determine the most efficient quantity of inventory to order at one time. By calculating the EOQ, a company can minimize total

inventory costs, including holding costs and ordering costs, thus ensuring that the right amount of inventory is available to meet demand without excess.

2. **Cost Reduction**: EOQ analysis aims to minimize total inventory costs, which often means reducing both holding costs (costs associated with storing inventory) and ordering costs (costs associated with placing and receiving orders). By optimizing the order quantity, companies can reduce unnecessary expenses associated with excessive inventory holding or frequent ordering.
3. **Efficient Resource Allocation**: EOQ assists in the efficient allocation of resources by determining the appropriate level of inventory to maintain. This prevents tying up excess capital in inventory or facing stockouts due to insufficient inventory levels. By maintaining the optimal inventory level, businesses can allocate resources effectively to other areas such as production, marketing, or research and development.
4. **Improved Customer Service**: Maintaining the right amount of inventory through EOQ analysis helps businesses meet customer demand more effectively. It reduces the likelihood of stockouts, ensuring that products are available when customers want to purchase them. This leads to higher customer satisfaction and retention.
5. **Supply Chain Optimization**: EOQ is not just about managing inventory within a single organization but also plays a role in optimizing the broader supply chain. By coordinating ordering quantities with suppliers based on EOQ principles, companies can improve supply chain efficiency, reduce lead times, and enhance overall collaboration with suppliers.
6. **Decision Support**: EOQ provides valuable insights for decision-making regarding inventory management. It helps in determining reorder points, setting safety stock levels, and evaluating the trade-offs between holding costs and ordering costs. This enables managers to make informed decisions that align with the company's overall strategic objectives.
7. **Competitive Advantage**: Efficient inventory management through EOQ can provide a competitive advantage to businesses. By minimizing costs and maximizing service levels, companies can offer competitive pricing, faster delivery times, and superior customer service compared to their competitors.

Q 4 (b).

Particulars	Units	Total	Total	Cost Per Unit
Raw Materials Consumed:				
Opening Stock of Raw Materials		3,00,000		30.0
Add: Purchase of Raw Materials		8,00,000		80.0
Add: Custom Duty Paid for Purchase of Raw Materials		5,00,000		50.0
Add: Freight Inward		20,000		2.0
Less: Closing Stock of Raw Materials		1,00,000		10.0
Raw Materials Consumed			15,20,000	152.0
Direct Wages			2,00,000	20.0
Other Direct Charges			50,000	5.0
PRIME COST	10,000		17,70,000	177.0
Add: Works/Factory Overheads:				
Wages Indirect		20,000		2.0
Other Factory Expenses		50,000		5.0
Depreciation - Factory		30,000		3.0
Direct Salary - Factory (2/5)		20,000		2.0
Works or Factory Overheads	10,000		1,20,000	12.0
WORKS/FACTORY COST	10,000		18,90,000	189.0
Add: Office and Administration Overheads:				
Office Salary		50,000		5.0
Depreciation – Office		20,000		2.0
Direct Salary – Office (1/5)		10,000		1.0
Office and Administration Overheads	10,000		80,000	8.0
COST OF PRODUCTION	10,000		19,70,000	197.0
Less: Closing Stock of Finished Goods (Valued as per As -2)	2,000		3,78,000	189.0
Cost of Goods Sold	8,000		15,92,000	199.0
Add: Selling and Distribution Overheads:				
Carriage Outward		8,000		1.0
Salary – Sales Office		40,000		5.0
Trade Fair Expenses		20,000		2.5
Depreciation – Selling		20,000		2.5
Direct Salary – Sales(2/5)		20,000		2.5
Selling and Distribution Overheads	8,000		1,08,000	13.5
TOTAL COST OF SALES	8,000		17,00,000	212.5
Add: Profit @ 18%			3,06,000	38.25
Sales Value	8,000		20,06,000	250.75
			20,06,000	

Q 5. What is the importance of variance analysis in cost accounting? Explain various material and labour cost variances. Why do these variances occur?

Ans: Variance analysis: The primary object of standard costing is to reveal the difference between actual cost and standard cost. A 'variance' in standard costing refers to the divergence of actual cost from standard cost. Variances of different cost items provide the key to cost control.

They indicate whether and to what extent standards set have been achieved. This enables management to correct adverse tendencies.

After standard costs have been established, the next step is to ascertain the actual cost under each element and compare them with the standard cost. The difference between these two is termed as cost variance. Cost variance is the difference between a standard cost and the comparable actual cost incurred during a given period.

The Chartered Institute of Management Accountants London defines variance as “the difference between planned, budgeted, or standard cost and actual cost; and similarly for revenue”. Variance analysis can be defined as “the analysis of performance by means of variances”. It is the process of computing the amount of and isolating the cause of variances between actual costs and standard costs.

Variance analysis involves:

(a) Computation of individual variances, and

(b) Determination of the cause(s) of each variance.

Variance analysis is a crucial tool in cost accounting that helps businesses understand the differences between actual costs and expected costs. It involves comparing actual costs to budgeted or standard costs, identifying the reasons for any discrepancies, and taking corrective actions if necessary. The importance of variance analysis in cost accounting lies in its ability to:

1. **Performance Evaluation:** Variance analysis allows managers to assess how well the company is controlling costs compared to the budgeted or standard costs. It helps identify areas of improvement and highlights areas of success.
2. **Decision Making:** Understanding the reasons behind cost variances enables managers to make informed decisions regarding pricing, resource allocation, and process improvements.
3. **Cost Control:** By pinpointing the causes of cost discrepancies, variance analysis helps in implementing strategies to control costs more effectively, thereby improving profitability.

4. **Continuous Improvement:** Through variance analysis, companies can continuously monitor their performance, identify inefficiencies, and strive for continuous improvement in operations.

Material Cost Variances:

1. **Material Price Variance:** This variance measures the difference between the actual cost of materials purchased and the standard cost of materials that should have been incurred based on the quantity purchased and the standard price. It occurs due to changes in material prices or discrepancies between actual and expected prices.

2. **Material Usage Variance:** This variance reflects the difference between the actual quantity of materials used and the standard quantity of materials that should have been used for the actual level of production. It arises from inefficiencies in material usage, waste, or differences in quality.

MATERIAL VARIANCES	
Material Cost Variance	(SQ x SP) – (AQ x AP)
Material Price Variance	(SP - AP) x AQ
Material Usage Variance	(SQ - AQ) x SP
Material Mix Variance	(RQ - AQ) x SP
Material Yield Variance	(AY - SY) x SC

AQ Actual Quantity

AP Actual Price

SP Standard Price

SQ Standard Quantity

SC Standard Cost

Labour Cost Variances:

1. **Labour Rate Variance:** This variance compares the actual labour rate paid per hour to the standard labour rate per hour. It occurs due to differences in wage rates, including changes in employee compensation or overtime payments.

2. **Labour Efficiency Variance:** This variance measures the difference between the actual hours worked and the standard hours allowed for the actual level of production. It arises from inefficiencies in labour utilization, such as idle time, inefficiencies in production processes, or differences in skill levels.

LABOUR VARIANCES	
Labour Cost Variance	(AH x AR) – (SH x SR)
Labour Rate Variance	(AR - SR) - AH
Labour Efficiency Variance	(AH - SH) x SR
Labour Mix Variance	(AH – RSH) x SR
Labour Yield Variance	(AH - SH) x SR
Idle Time Variance	Idle Hours x SR

AH- Actual Hours

SH- Standard Hours

AR- Actual Rate

SR- Standard Rate

RSH- Revised Standard Hours

Total Material Cost Variance	(Standard Quantity for Production × Standard Price) – (Actual Quantity used × Actual Price)
Material Price Variance	(Standard Price – Actual Price for Unit) × Actual Quantity used
Material Usage Variance	(Standard Quantity for Production – Actual Quantity used) × Standard Price
Total Labour Cost Variance	(Standard Rate × Standard Hours for Production) – (Actual Rate × Actual Hours worked)
Labour Rate Variance	(Standard Rate – Actual Rate) × Actual Hours worked
Labour Efficiency Variance	(Standard Hours for Production – Actual Hours worked) × Standard Rate

Causes of Material and Labour Cost Variances:

1. **Price Fluctuations:** Changes in material prices or wage rates can lead to variances in material and labour costs.
2. **Quality Issues:** Differences in the quality of materials or variations in labour productivity can affect costs.
3. **Production Volume:** Variances may occur due to changes in the level of production, affecting economies of scale and labour efficiency.
4. **Process Inefficiencies:** Inefficient processes, poor supervision, or inadequate training can result in higher material usage or labour hours than expected.
5. **External Factors:** Factors such as supplier issues, market conditions, or regulatory changes can impact material prices and labour costs.

Overall, variance analysis provides valuable insights into cost drivers, allowing businesses to take proactive measures to improve cost control, operational efficiency, and ultimately, profitability.

Q 6.

Year	Sale	Cost	Profit
2020	3,00,000	-2,60,000	= 40,000
2021	3,40,000	-2,90,000	= 50,000
Change in Sale	=40,000	Change in Profit	=10,000

i. P/V Ratio = $\frac{Change\ in\ Profit}{Change\ in\ Sale} x\ 100 = \frac{10,000}{40,000} = 25\%$

ii. P/V ratio = 25%

Or, $\frac{C}{S} = 25\%$

Or, $\frac{C}{3,00,000} = 25\%$

$\therefore$ Contribution = 75,000

Or, FC + P = 75,000

Or, FC + 40,000 = 75,000

Or, FC = 75,000 – 40,000 = 35,000

$$BEP = \frac{FC}{PV\ Ratio} = \frac{35{,}000}{25\%} = 1{,}40{,}000$$

iii. $$\text{Required Sale} = \frac{FC+P}{PV\ Ratio} = \frac{35{,}000+40{,}000}{25\%} = 3{,}00{,}000$$

iv. $$\text{Required Sale} = \frac{FC+P}{PV\ Ratio}$$

$$\text{Or, } 2{,}50{,}000 = \frac{35{,}000+P}{25\%}$$

Or, 35,000 + P = 62,500

Or, Profit = 27,500

v. Margin of Safety = Total Sale – BEP Sale

= 2,50,000 – 1,40,000

= 1,10,000

Q 7. (a) Explain the ratios to assess the long run solvency of a firm. How are These ratios computed? Give examples.

Ans: Ratios to assess the long-run solvency of a firm focus on its ability to meet its long-term financial obligations and sustain its operations over an extended period. These ratios provide insights into the company's capital structure, leverage, and ability to manage its long-term debt. Some key ratios to assess long-run solvency include:

Debt-to-Equity Ratio: This ratio measures the proportion of a company's financing that comes from debt compared to equity. A higher debt-to-equity ratio indicates higher leverage and potential financial risk. It is calculated as:

Debt-to-Equity Ratio= Total Debt/Total Equity

For example, if a company has total debt of Rs.500,000 and total equity of Rs.1,000,000, the debt-to-equity ratio would be 0.5.

Interest Coverage Ratio: Also known as the times interest earned ratio, this ratio measures a company's ability to cover its interest expenses with its earnings before interest and taxes (EBIT). A higher interest coverage ratio indicates better ability to meet interest obligations. It is calculated as:

Interest Coverage Ratio=Interest Expense/ EBIT

For example, if a company has EBIT of Rs.1,000,000 and interest expense of Rs.200,000, the interest coverage ratio would be 5.

Debt Ratio: This ratio measures the proportion of a company's assets financed by debt. It indicates the extent to which a company relies on debt financing. A higher debt ratio suggests higher financial risk. It is calculated as:

Debt Ratio=Total Debt/ Total Assets

For example, if a company has total debt of Rs.600,000 and total assets of Rs.1,500,000, the debt ratio would be 0.4.

Long-Term Debt to Capitalization Ratio: This ratio measures the proportion of a company's long-term debt to its total capitalization (long-term debt plus equity). It provides insight into the company's long-term financial structure. It is calculated as:

Long-Term Debt to Capitalization Ratio=Long-Term Debt/ Long-Term Debt + Total Equity

For example, if a company has long-term debt of Rs.700,000 and total equity of Rs.1,200,000, the long-term debt to capitalization ratio would be 0.368.

Fixed Charge Coverage Ratio: This ratio measures a company's ability to cover its fixed charges, including interest expenses and lease payments, with its earnings before interest, taxes, depreciation, and amortization (EBITDA). It is calculated as:

FCCR= EBIT + FCBT/ FCBT + I

where:

EBIT=earnings before interest and taxes

FCBT=fixed charges before tax

i=interest

These ratios provide valuable insights into a company's long-term financial health and its ability to sustain operations and meet its obligations over the long term. By monitoring these ratios, investors, creditors, and management can assess the company's solvency risk and make informed decisions.

Q 7. (b) What is life cycle costing? What is the significance of this type of costing?

Ans**: Life cycle costing** (LCC) is a costing method used to analyze the total cost of ownership of a product or asset over its entire life cycle, from acquisition to disposal. It considers all costs associated with the product or asset, including acquisition costs, operating costs, maintenance costs, and disposal costs. Life cycle costing provides a comprehensive view of the financial implications of owning and operating a product or asset over its entire life span.

The significance of life cycle costing lies in several key aspects:

1. **Better Decision Making:** Life cycle costing helps businesses make informed decisions about product design, procurement, and investment by considering the total cost implications over the entire life cycle. It enables decision-makers to evaluate alternatives based on their long-term financial impact rather than just initial costs.

2. **Optimized Resource Allocation:** By considering all costs associated with a product or asset, life cycle costing helps businesses allocate resources more effectively. It allows them to identify opportunities to reduce costs throughout the life cycle, such as selecting more durable materials or implementing preventive maintenance programs.

3. **Risk Management:** Life cycle costing enables businesses to assess and mitigate risks associated with owning and operating assets over their life span. By understanding the total cost of ownership, businesses can identify potential risks, such as escalating maintenance costs or premature obsolescence, and develop strategies to manage them effectively.

4. **Sustainability:** Life cycle costing promotes sustainability by encouraging businesses to consider the environmental and social impacts of their decisions. By evaluating the life cycle costs of products and assets, businesses can identify opportunities to minimize resource consumption, reduce waste, and mitigate environmental and social risks.

5. **Enhanced Competitiveness:** By adopting a life cycle costing approach, businesses can gain a competitive advantage by optimizing costs, improving product quality and reliability, and enhancing customer value. Life cycle costing enables businesses to deliver products and services that meet customer needs while maximizing profitability over the long term.

Overall, life cycle costing is a valuable tool for businesses seeking to make informed decisions, optimize resource allocation, manage risks, promote sustainability, and enhance competitiveness in today's dynamic and competitive business environment.

Q 8. Following are the extracts from the Trial Balance of M/S Amrit Ltd.

Trial Balance as on 31.3.2021

Particulars	**Amount (Rs.)**
Sundry Debtors	**30000**
Bad Debts	**5000**

Additional Information:

i) After preparation of Trial Balance, it is learnt that a debtor Mr. Yograj has become insolvent and therefore the entire amount of Rs. 3000 due from him was irrecoverable.

ii) Create 10% provision for bad and doubtful debts. You are required to paas necessary adjustment entries and show how the items will appear in the firm's Balance Sheet.

Ans:

Date	Particulars	L.F.	Debit ₹	Credit ₹
(a)	Bad debts A/c Dr.		3,000	
	To Sundry debtors A/c			3,000
	(Bad debts written off)			
(b)	Profit and loss A/c Dr.		2,700	
	To Provision for bad & doubtful debts A/c			2,700
	(Provision for bad & doubtful debts created @ 10%)			

Dr. **Profit and Loss Account** Cr.

Particulars	₹	₹	Particulars	₹	₹
To Bad debts	5,000				
Add: Further bad debts	3,000				
	8,000				
Add: Provision for bad & doubtful debts	2,700	10,700			

Balance Sheet

Liabilities	₹	₹	Assets	₹	₹
			Sundry debtors	30,000	
			Less: Bad debts	3,000	
				27,000	
			Less: Provision for bad & doubtful debts @ 10%	2,700	24,300

Q 8 (b). What is the difference between capital and revenue expenditure? Give two examples where revenue expenditure is capitalized.

Ans: Capital expenditure and revenue expenditure are two distinct categories of expenses incurred by a business, each with different accounting treatment and implications for financial reporting. Here's a breakdown of the key differences between the two:

1. **Capital Expenditure:**

   - Capital expenditure refers to the spending on acquiring, upgrading, or improving long-term assets that provide benefits to the business beyond the current accounting period.
   - These expenditures are typically recorded as assets on the balance sheet and depreciated or amortized over their useful life.
   - Capital expenditures enhance the productive capacity or efficiency of the business and are considered investments in the company's future.
   - Examples of capital expenditures include the purchase of property, plant, and equipment (PP&E), investments in intangible assets such as patents or trademarks, and expenditures on infrastructure projects.

2. **Revenue Expenditure:**

   - Revenue expenditure, on the other hand, refers to the spending on day-to-day operational expenses required to maintain the business and generate revenue in the current accounting period.
   - These expenditures are typically expensed on the income statement in the period in which they are incurred and do not create lasting benefits beyond the current period.
   - Revenue expenditures are necessary to sustain ongoing business operations but do not result in the acquisition of long-term assets.
   - Examples of revenue expenditures include salaries and wages, utility bills, rent expenses, repairs and maintenance, and advertising expenses.

Conditions where revenue expenditures are capitalized, here are two Condidtions where revenue expenditures may be capitalized:

1. **Materiality Consideration:** In certain situations, if a revenue expenditure is significant enough and meets specific criteria, it may be capitalized instead of being expensed immediately. For example, if a repair expense for a piece of equipment is substantial and extends the useful life of the asset significantly, it might be capitalized as part of the asset's cost rather than expensed as a repair cost.
2. **Treatment as Part of a Larger Project:** Sometimes, revenue expenditures are capitalized when they are incurred as part of a larger capital project. For instance, if a business undertakes a major renovation of a building, the costs associated with routine repairs and maintenance during the renovation process might be capitalized along with the costs of the renovation itself, as they are necessary to complete the larger project and enhance the value of the asset.

In both of these scenarios, the decision to capitalize revenue expenditures involves judgment and consideration of factors such as materiality, relevance to the larger project, and compliance with accounting standards.

Refrences:

https://www.icsi.edu/media/webmodules/publications/2.%20CMA-Executive.pdf

SN Maheshwari, Suneel K Maheshwari & Sharad K Maheshwari, Accounting for Management, Vikas Publishing House, 2022.

END TERM EXAMINATION

FIRST SEMESTER [BCOM(HONS)] JANUARY 2024

Paper Code: BCOM-101	*Subject: Financial Accounting*
Time: 3 Hours	*Maximum Marks: 60*

Note: Attempt five questions in all including Q.No1 which is compulsory.

Q1 Write short notes on **any four** **(4x3=12)**

a) GAAP

b) Green Accounting

c) Imprest System of Petty Cash Book

d) Deferred Revenue Expenditure

e) Dual Aspect Concept

f) Provisions vs Reserves

g) Reasons of difference between balance of Cash Book and Pass Book of a business

Q2 "The function of accounting is to provide quantitative information, primarily financial in nature, about economic entities." Explain the various users of such information and their purpose for using it in detail. **(12)**

Q3 Pass journal entries for the following transactions:

a) Opening balances of Rohit & Sons as on 1st April, 2022 are: Cash in hand Rs. 600; Cash at Bank Rs. 14,000; Bills Payable Rs. 2,000; Virat (Debtor) Rs. 1,600; Stock Rs. 8,000; Hardik (Creditor) Rs. 4,000; Sachin (Debtor) Rs. 3,000; Rahul (Creditor) Rs. 1,800.

b) Wasim who owed Rs. 2,00,000 is declared insolvent on 31st March, 2022. Received 40 paisa in a rupee from his official assignee.

c) Goods purchased from Ravindra for Rs. 50,000 on 15th September, 2022. He allowed trade discount @ 10% and cash discount @ 5%. 60% paid to him on the same day.

d) On 31st December, 2022, goods worth Rs. 10,000 were taken by proprietor for personal use& goods worth Rs. 5,000given as charity. **(12)**

Q4 The following is the Trial Balance of M/s Raj Kumar, as on 31st March, 2022. You are required to prepare Trading, Profit & Loss Account and Balance Sheet for the year 31st March, 2022, after taking into account the necessary adjustments.

P.T.O.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Sundry Debtors	10,00,000	
Sundry Creditors		4,00,000
Outstanding Liability for Expenses	1,10,000	
Wages	2,00,000	
Carriage Outwards	2,20,000	
Carriage Inwards	1,00,000	
General Expenses	1,40,000	
Discount	40,000	
Bad Debts	20,000	
Motor Car	4,80,000	
Printing & Stationary	30,000	
Furniture & Fittings	2,20,000	
Advertisement	1,70,000	
Insurance	90,000	
Salesmen's Commission	1,75,000	
Postage & Telephone	1,15,000	
Salaries	3,20,000	
Rates & Taxes	50,000	
Drawings	40,000	
Capital		28,86,000
Purchases	31,00,000	
Sales		39,75,000
Stock on 1st April, 2021	5,00,000	
Cash at Bank	1,20,000	
Cash in Hand	21,000	
	72,61,000	**72,61,000**

Adjustments:

a) Stock on 31st March, 2022 was Rs. 14,50,000.

b) A Provision for Bad Debts is to be created @ 5 percent on Sundry Debtors.

c) Depreciation charged on Furniture & Fittings and on Motor Car by 10% and 20% respectively.

d) Mr. Raj Kumar withdrawn goods worth Rs. 50,000 during the year.

e) Sales include goods worth Rs. 1,50,000 sent out to M/s Govind & Sons on approval and no confirmation has received till 31st March, 2022. Cost of the goods was Rs. 1,00,000.

f) Salesmen are entitled to a Commission of 5% on total sales.

g) Sundry Debtors include Rs. 50,000 Bad Debts.

h) Printing & Stationary expenses of Rs. 1,10,000 relating to 2020-21 had not been proceed in that year but was paid in this year by debiting Outstanding Liabilities.

i) Purchases include purchase of Furniture worth Rs. 1,00,000. **(12)**

Q5 a) What is a Bank Reconciliation Statement? Briefly explain its objectives. **(4)**

b) On 31st December, 2022, the Cash Book of a merchant showed a bank overdraft of Rs. 1,72,985. On comparing the Cash Book with the Bank Pass Book the following discrepancies were noted:

i) Cheques issued for Rs. 60,000 were not presented in the bank till 7th January, 2023.

ii) Cheques amounting to Rs. 75,000 were deposited in the bank but were not collected.

iii) A cheque of Rs. 15,000 received from Mahesh Chand and deposited in the bank was dishonoured and advice of non-payment was not received from bank till the 1st January, 2023.

iv) Rs. 1,50,000 being the proceeds of a bill receivable collected appear in the Pass Book but not in the Cash Book.

v) Bank charges Rs. 1,500 and interest on overdraft Rs. 8,500 appear in the Pass Book but notin the Cash Book.

Prepare a Bank Reconciliation Statement and show what balance the Bank Pass Book would indicate on 31st December, 2022. **(8)**

Q6 Touch Wood Ltd. purchased on 1st January 2017, a machinery for Rs. 1,94,000 and spent Rs. 6,000 on its erection. On 1st July 2017 additional machinery costing Rs. 1,00,000 was purchased. On 1st July 2019, the machinery purchased on 1st January 2017 has been auctioned for Rs. 1,00,000 and on the same date, new machinery was purchased at a cost of Rs. 1,50,000. Depreciation was provided annually on 31st December at the rate of 10% p.a. on the original cost. No depreciation need be charged during the year of sale of machinery for that part of the year when the machine was used. In 2021, the company has changed the method of depreciation to written down value method at the rate of 15% p.a. from the straight line method w.e.f. 2017. Show the machinery account for the period from 2017 to 2021. **(12)**

Q7 a) Differentiate between Perpetual and Periodic Inventory System. **(4)**

b) Set up a "stores ledger" form and enter the following transactions adopting the FIFO and Weighted Average Price method of pricing out issues.

2022

Jan.1	Opening Stock	2000pieces @ Rs.2.00 each
Jan.5	Purchases	1000 pieces @ Rs.2.20 each
Jan.10	Purchases	1500pieces@ Rs.2.40 each
Jan.20	Purchases	1800 pieces @ Rs.2.40 each
Jan.2	Issues	1500 pieces
Jan.7	issues	1000 pieces
Jan.12	Issues	1000 pieces
Jan.28	Issues	2000 pieces

(8)

Q8 "Accounting in modern era is eyeing towards sustainable development." Justify the statement by highlighting the Contemporary Issues in Accounting. **(12)**

SOLUTION SET
END TERM EXAMINATION JANUARY- 2024
FINANCIAL ACCOUNTING - BCOM(H) 101
BCOM(H) - I SEMESTER

Time: 3 Hours **Maximum Marks: 75**

Q1 Write Short Notes on:

(a) GAAP
(b) Green Accounting
(c) Imprest System of Petty Cash Book
(d) Deferred Revenue Expenditure
(e) Dual Aspect Concept
(f) Provisions vs Reserves
(g) Reasons of the difference between the Balance of a Cash Book and the Passbook of a Business

(a) GAAP

Ans. Accounting practices follow certain guidelines. The rules that govern how accountants measure progress and communicate financial information under the heading "Generally Accepted Accounting Principles" (GAAP). GAAP comprises of conventions, rules and procedures that constitute accepted accounting practices at any given time. They are like the law or rules for conducting behavior in a way acceptable to majority of the people. They may readily be defined as rules of action or conduct which are adopted by the accountants universally while recording accounting transactions. They are a body of doctrines commonly associated with the theory and procedures of accounting, serving as an explanation of current practices and as a guide for selection of conventions or procedures where alternatives exist. It should be noted that GAAP differ from country to country because of the legislative requirements of each country, local accounting practices, customs, usage and business environment peculiar to each country. Each country has set up its own professional accounting body/regulatory authority to frame, implement and regulate the application of the GAAPs in the country.

For example, in USA the Financial Accounting Standard Board (FASB) set up in 1973 makes major pronouncements called Statements of Financial Accounting Standards (SFAS) from time to time. Similarly, in UK the Accounting Standard Board set up in 1990 issues financial reporting standards. The Board has replaced the Accounting Standards Committee which was responsible for issuing Statements of Standard Account Practices (SSAPs) earlier from time to time. In India, the Accounting Standard Board set up by the Institute of Chartered Accountants of India issues the accounting standards to be observed by all business entities. However, the Ministry of Corporate Affairs (MCA) has also notified presently 40 Indian Accounting Standards (Ind AS), as a step towards convergence of International Financial Reporting Standards (IFRS) in India. It may be noted that Ind AS would be applicable to various classes of entities as may be prescribed by relevant authorities such as Ministry of Corporate Affairs for the companies governed under Companies Act, 2013 from the notified date(s). The existing Accounting Standards (AS) will continue to apply to entities other than those to which Ind AS would apply. In case of differences between the two standards i.e. AS issued by the Institute of Chartered Accountants of India and Ind AS notified by the Ministry of Corporate Affairs, (Government of India, the Institute of Chartered Accountants of India would harmonize their differences.

(b) Green Accounting

Ans. Green accounting refers to the process of integrating environmental costs and benefits into a company's financial reporting system. It involves recognizing and accounting for the environmental impact of a company's operations, products, and services.

One of the key features of green accounting is that it is a dynamic and ongoing process rather than a one-time event. This is because environmental impacts are constantly changing and evolving as a result of changes in the business environment, government regulations, and stakeholder expectations.

For example, a company may implement a new green initiative to reduce its carbon footprint and track the costs and benefits of the initiative over time. As the initiative evolves, the company may need to adjust its accounting practices to account for new costs or benefits that arise.

Similarly, as new environmental regulations are introduced, companies may need to update their accounting practices to comply with these regulations and accurately reflect the environmental impact of their operations.

Therefore, green accounting is a continuous process that requires ongoing monitoring and reporting to ensure that the company is accurately accounting for its environmental impacts and taking appropriate measures to minimize them. By doing so, companies can better manage their environmental risks and opportunities, and demonstrate their commitment to sustainability to stakeholders.

(c) Imprest System of Petty Cash Book

Ans. The Imprest system of petty cash books is regarded as one of the most scientific methods used to maintain a cash book. Under this system, a fixed amount of money is provided to the petty cashier to cover the petty expenses for that particular month. By the end of the month, the petty cashier has to hand over the statement of expenditures to the chief cashier.

After receiving the statement of petty expenses, the chief cashier hands over the same amount of cash to the petty cashier, thus maintaining the imprest for the next month, the same as the beginning of the previous month.

It acts as a healthy check on the petty cashier as he has to submit the statement of petty expenses to the chief cashier. As all the petty expenses have to be recorded from time to time in the cashbook, the petty cash book remains up to date. The imprest system of petty cash books prevents unnecessary accumulation of cash as the petty cashier cannot draw sums of money as and whenever he likes. The head cashier is always aware of the cash given to the petty cashier under the Imprest petty cash system.

The advantages of the imprest system are as follows: –

- It saves the time of the chief cashier.
- Petty cashier is not allowed to keep idle cash with him if the float is found to be more than adequate; its amount will be immediately reduced. This reduces the chances of misuse of cash by the petty cashier.
- The record of petty cash is checked by the cashier periodically, so that a mistake, if committed, is soon rectified.
- It enables a great saving to be effected in the posting of small items to the ledger accounts.
- The system trains young staff to handle cash responsibilities.

(d) Deferred Revenue Expenditure

Ans. Deferred revenue expenditure is an expense incurred by a company that provides benefits over a period of time greater than one accounting period. Instead of recognizing the full cost of the expenditure in the period in which it was incurred, the cost is deferred (postponed) and is gradually written off over a period of time.

Examples of deferred revenue expenditure include:

Advertisement Expenses: Advertising is often incurred to promote a product or service, but the benefits of the advertising campaign may be realized over a period of time. In this case, the cost of the advertising is deferred and is gradually written off over the period of time during which the benefits are realized.

Preliminary Expenses: These are the expenses incurred in connection with the formation of a company or in connection with the issue of shares or debentures. These expenses are typically significant and cannot be written off in a single accounting period. Instead, they are deferred and are gradually written off over a period of time.

Research and Development Expenses: Companies often incur expenses related to research and development of new products or processes. These expenses may provide benefits over a long period of time, and therefore, the cost of such expenses is deferred and is gradually written off over a period of time.

Deferred revenue expenditure is recorded as an asset in the balance sheet and is written off over the period of time during which the benefits of the expenditure are realized. It is important for companies to distinguish between revenue and capital expenditures and to account for them correctly in order to provide an accurate picture of their financial position.

(e) Dual Aspect Concept

Ans. This concept is based on double entry book-keeping which means that accounting system is set up in such a way that a record is made of the two aspects of each transaction that affects the records. The recognition of the two aspects to every transaction is known as dual aspect concept. Modern financial accounting is based on dual aspect concept. One entry consists of debit to one or more accounts and another entry consists of credit to some other one or more accounts. However, the total amount debited is always equal to the total amount credited. Therefore, at any point of time total assets of a business are equal to its total liabilities. Liabilities to outsiders are known as liabilities, but a liability to owners is referred to as capital. Thus, this concept expresses the relationship that exists among assets, liabilities and the capital in the form of an accounting equation which is as follows:

Assets = Liabilities + Capital,
or Capital = Assets – Liabilities

Since accounting system requires recording of the two aspects of each transaction, this concept shows the effect of each transaction on them. Assets and liabilities are two independent variables and capital is the dependent variable, for it is the difference between assets and liabilities. Any change in any one of these three, must lead to a change in any of the other two.

(f) Provisions vs Reserves

Ans. Reserve is the term which refers to a sum or percentage of profit that a company retains or keeps aside at the end of a financial year towards meeting future contingencies that may occur. It is also used to strengthen the business. A capital reserve is created from the capital profits and is not available for distribution to shareholders in the form of dividends. Therefore, it cannot be created from the profits earned from the core operations of a company.

Revenue reserve is created from the profits earned from the core operations of a company or organization. A profit and loss appropriation account needs to be made for creating Revenue reserve.

Provision refers to an amount that is kept aside from a company's profit in order to cover probable expenses arising in future or a possible reduction in the value of an asset. Provisions are important for a business as they address certain expenses in business and payments made for them. Provisions should not be regarded as savings as these are created to meet expenses for an anticipated liability in future.

It appears in the income statement in the form of expenses and is recorded as a current liability in the balance sheet.

Reserve	Provision
Definition	
The portion of profit kept aside for unforeseen obligations of a business	A portion of money from the business set aside for meeting known liabilities or expenses
Method of Creation	
Created by debiting Profit and Loss appropriation account	Created by debiting Profit and Loss Account
Purpose	
It provides capital for running the business and safeguards against expenses from unforeseen contingencies	It secures business from expenses arising from known liabilities
Allocation	
Presence of profit is required for allocation of reserve.	Presence of profit not necessary for allocation
Dividend Payment	
Paid from reserves	Cannot be paid

(g) Reasons for the difference between the Balance of a Cash Book and the Passbook of a Business

The following are the reasons for the difference between the balances shown by the cash book and the passbook.

- Cheques issued but not presented for payment: When a cheque is drawn or issued in favour of a third party, it is immediately recorded in the cash book by debiting the party and crediting the bank and this has the effect of reducing the bank balance in the cash book. But the bank will not debit the client's account until that cheque is presented for payment, and honoured. So long as it is not presented, the balance shown in the pass book is more than the balance shown by the cash book.

- Cheques deposited for collection but not yet collected: The client debits bank column of cash book as soon as he deposits cheques with the bank for collection, but the bank credits client's account only when it has collected cash on the cheque so deposited. It results in bank balance as per cash book being higher than the balance as per pass book.

- Bank charges not entered in the cash book: The bank charges some amount from each customer by way of incidental charges, collection charges, etc. and debits his account for this reason from time to time. As soon as these charges are made, the bank debits the customer's account in its own books and this reduces the bank balance. But the customer will know such charges only when he receives a statement of account from the bank, until then, bank balance as per pass book will be less than bank balance as per cash book.

- Interest credited or debited by bank, not entered in the cash book: When bank allows interest to a customer for deposits, it will credit customer's account and his bank balance as per pass book will increase. But the customer will not pass the entry in cash book simultaneously till he knows the fact, thus the balances will differ. Likewise, interest on overdraft is debited to the customers' account and till the same is not entered in the cash book, it will result in a difference in the balances.

- Direct collections on behalf of customers: A banker may receive amounts due to the customer by way of dividends, rent, interests etc. directly from the persons concerned on account of standing instructions of the customer to such persons. Similarly, debtors may also deposit the amounts directly to the bank. The bank credits the account of the customer for such collections as soon as it gets such payments. But same will be entered in the cash book only when customer receives the statement from the bank. Thus the balances differ.

- Direct payment by bank: Usually, the bank is given standing instructions for certain payments to be made, such as payment of insurance premium, interest on loan, electricity bill etc. Bank, while making payments, debits pass book but the customer has no information of the same till he is informed. It results in a difference in balances.

- Dishonor of cheques/bills: When cheque or bill of exchange discounted with the bank is dishonored, the same is debited in the pass book but not given effect in the cash book until the intimation is received. It will cause a difference in the two balances.

Q2. "The function of accounting is to provide quantitative information, primarily financial in nature, about economic entities." Explain the various users of such information and their purpose of using it in detail.

Ans. Accounting is a very old concept – as old as money. A description of proper keeping of accounts is also found in 'Arthashastra" written by Kautilya. However, it has developed with the passage of time to meet the requirements and challenges of ever – growing society. The modern-day accounting concept based on double entry system was originated by Luca Pacioli in Italy. Though the act of accounting is very old, in recent times it has acquired special significance because of rapidly growing economy, cut-throat competition, expanding markets and increasing production and changes in technology. Accounting is used by business entities for keeping records of their monetary or financial transactions.

Accounting is a process of identifying financial transactions, measuring them in monetary terms, and recording, classifying, summarizing, analyzing, interpreting them and communicating the results to the users.

The American Accounting Association (AAA) defines accounting as:
'The process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of information'.

Accounting information serves various users, each with distinct needs and purposes. Here's an overview of the different users and how they utilize accounting information:

- **Management:** Purpose: Management relies on accounting information to make informed decisions, plan future activities, and monitor the organization's performance.

  Use: Managers use financial statements, budget reports, and cost analyses to assess profitability, manage resources efficiently, set goals, and strategize for growth. They also use accounting information to evaluate the financial health of the organization and identify areas for improvement.

- **Shareholders/Investors:** Purpose: Shareholders and investors seek to evaluate the financial performance and prospects of the company to make investment decisions.

  Use: They analyze financial statements, particularly the income statement, balance sheet, and cash flow statement, to assess the company's profitability, financial stability, and growth potential. Additionally, they may compare financial ratios and performance indicators across companies or industries to make investment choices.

- **Creditors:** Purpose: Creditors, such as banks and bondholders, assess the organization's ability to repay loans and interest on time.

  Use: They analyze financial statements, particularly the balance sheet and cash flow statement, to evaluate the organization's liquidity, solvency, and ability to generate cash flow. This information helps creditors determine the creditworthiness of the organization and set terms for lending.

- **Employees:** Purpose: Employees are interested in the financial health of the organization to assess job security, evaluate compensation packages, and understand the company's performance.

  Use: They may review financial statements, particularly the income statement and disclosures, to gauge the stability and profitability of the organization. Understanding the financial position of the company can also influence negotiations for wages, benefits, and other employment terms.

- **Government Agencies:** Purpose: Government agencies, such as tax authorities and regulatory bodies, use accounting information for taxation, regulation, and policy-making purposes.

  Use: They rely on financial statements, tax returns, and other accounting records to ensure compliance with tax laws, financial reporting standards, and regulatory requirements. Accounting information also provides insights into the economic activities of businesses, which can inform policy decisions and regulatory actions.

- **Suppliers and Customers:** Purpose: Suppliers assess the financial stability of their customers to manage credit risk, while customers may be interested in the financial health of suppliers to ensure continuity of goods or services.

  Use: Suppliers may review financial statements and credit reports to evaluate the creditworthiness and payment history of customers. Customers may also assess the financial stability of suppliers to mitigate risks associated with disruptions in the supply chain.

  In summary, accounting information serves a wide range of users, each with specific needs and purposes. Whether it's for internal decision-making, external investment analysis, regulatory compliance, or strategic planning, accounting information plays a crucial role in facilitating informed decision-making and promoting transparency in economic activities.

Q3 Pass journal entries for the following transactions:

a) Opening balances of Rohit & Sons as on 1st April, 2022 are: Cash in hand Rs. 600; Cash at Bank Rs. 14,000; Bills Payable Rs. 2,000; Virat (Debtor) Rs. 1,600; Stock Rs. 8,000; Hardik (Creditor) Rs. 4,000; Sachin (Debtor) Rs. 3,000; Rahul (Creditor) Rs 1,800.

b) Wasim who owed Rs. 2,00,000 is declared insolvent on 31st March, 2022. Received 40 paisa in a rupee from his official assignee.

c) Goods purchased from Ravindra for Rs. 50,000 on 15th September, 2022. He allowed trade discount @ 10% and cash discount @ 5%. 60% paid to him on the same day.

d) On 31st December, 2022, goods worth Rs. 10,000 were taken by proprietor for personal use & goods worth Rs. 5,000 given as charity.

Ans.

In the Books of Rohit & Sons
JOURNAL

	Dates	Particulars		L.F	Dr. (Rs.)	Cr. (Rs.)
	2022					
a)	April 1	Cash in Hand A/c	...Dr		600	
		Cash at Bank A/c	...Dr		14,000	
		Stock A/c	...Dr		8,000	
		Virat	...Dr		1,600	
		Sachin	...Dr		3,000	
		To Bills Payable A/c				2,000
		To Hardik				4,000

		To Rahul To Capital A/c (Being the balances brought in from previous year)			1,800 19,400
b)	Mar-31	Cash A/c ...Dr Bad Debts A/c ...Dr. To Wasim (Being 40% money received from official Assignee of Wasim)		80,000 1,20,000	 2,00,000
c)	Sep.15	Purchases A/c ...Dr. To Ravindra (Being goods purchased less trade discount 10%)		45,000	 45,000
		Ravindra ...Dr. To Cash A/c To Discount Received A/c Being 60% of invoice price paid and received 5% cash discount)		27,000	 25,650 1,350
d)	Dec. 31	Drawings A/c ...Dr. Charity A/c ...Dr. To Purchases A/c (Being goods withdrawn for personal use and charity)		10,000 5,000	 15,000

Q4 The following is the Trial Balance of M/s Raj Kumar , as on 31st March, 2022. You are required to prepare Trading and Profit & Loss account and Balance Sheet for the year 31st March,2022, after taking into account the necessary adjustments.

Particulars	Dr.(Rs.)	Cr. (Rs.)
Sundry Debtors	10,00,000	
Sundry Creditors		4,00,000
Outstanding Liabilities for expenses	1,10,000	
Wages	2,00,000	
Carriage Outwards	2,20,000	
Carriage Inwards	1,00,000	
General Expenses	1,40,000	
Discount	40,000	
Bad Debts	20,000	
Motor Car	4,80,000	
Printing & Stationary	30,000	
Furniture & Fittings	2,20,000	
Advertisement	1,70,000	
Insurance	90,000	
Salesmen’s Commission	1,75,000	
Postage & Telephone	1,15,000	
Salaries	3,20,000	
Rates & Taxes	50,000	

Drawings	40,000	
Capital		28,86,000
Purchases	31,00,000	
Sales		39,75,000
Stock on 1st April, 2021	5,00,000	
Cash at Bank	1,20,000	
Cash in Hand	21,000	
	72,61,000	**72,61,000**

Adjustments:

a) Stock on 31st March, 2022 was Rs. 14,50,000.

b) A provision for Bad Debts is to be created @ 5 percent on Sundry Debtors.

c) Depreciation charged on furniture & Fittings and on Motor Car by 10% and 20% respectively.

d) Mr. Raj Kumar withdrawn goods worth Rs. 50,000 during the year.

e) Sales include goods worth Rs. 1,50,000 sent out to M/s Govind & Sons on approval and no confirmation has received till 31st March, 2022. Cost of the goods was Rs. 1,00,000.

f) Salesmen are entitled to a Commission of 5% on total sales.

g) Sundry Debtors include Rs. 50,000 Bad Debts.

h) Printing & Stationary expenses of Rs. 1,10,000 relating to 2020-21 had not been proceeded in that year but was paid in this year by debiting Outstanding Liabilities.

i) Purchases include purchase of Furniture worth Rs. 1,00,000.

Ans.

Trading and Profit & Loss account

For the Year ending 31st March,2022

Particulars		Rs.	Particulars		Rs.
To Opening Stock		5,00,000	By Sales	39,75,000	
To Purchases	31,00,000		Less: Goods sent on Approval	1,50,000	38,25,000
Less: Drawing	50,000		By Closing Stock	14,50,000	
			Add: Stock on approval		
	30,50,000		1,00,000	15,50,000	
Less: Purchase of Furniture	1,00,000				
To Wages		2,00,000			
To Carriage Inwards		1,00,000			
To Gross Profit		16,25,000			
		53,75,000			**53,75,000**
To Salaries		3,20,000	By Gross Profit		16,25,000
To Rates & Taxes		50,000			
To Postage		1,15,000			
To Insurance		90,000			
To Printing		30,000			
To General Expenses		1,40,000			
To Depreciation					

Furniture (22000+10000)	32,000			
Motor Car	96,000	1,28,000		
To Salesmen's Commission		1,91,250		
To Advertisement		1,70,000		
To Carriage outwards		2,20,000		
To Bad debts	20,000			
Add: Additional	50,000			
Add: Provision for Bad debts	40,000	1,10,000		
To Cash Discount		40,000		
Net Profit		20,750		
		16,25,000		**16,25,000**

Balance Sheet
As at 31st March,2022

Liabilities		Rs.	Assets		Rs.
Capital	28,86,000		Furniture	2,20,000	
Add: Net Profit	20,750		Add: Purchased	1,00,000	
	29,06,750			3,20,000	
Less: Drawings			Less: Depreciation	32,000	2,88,000
(40,000+ 50,000)	90,000		Motor Car	4,80,000	
	28,16,750		Less: Depreciation	96,000	3,84,000
Less:Printing & Stationary	1,10,000	27,06,750	Closing Stock		15,50,000
Sundry Creditors		4,00,000	Debtors	10,00,000	
Salesmen's commission			Less: Goods on Approval	1,50,000	
(1,91,250-1,75,000)		16,250		8,50,000	
			Less: Bad debts	50,000	
				8,00,000	
			Less: Provision for Bad debts	40,000	7,60,000
			Cash at Bank		1,20,000
			Cash in Hand		21,000
		31,23,000			**31,23,000**

Q5(a) What is a Bank Reconciliation Statement ? Briefly explain its objectives.

Ans. The bank pass book and bank columns of the cash book record the same transactions. In the pass book, the transactions are recorded from the point of view of the bank whereas in cash book they are recorded from the point of view of the client. The bank balance as per pass book, can therefore, be expected to be equal to the bank balance as revealed by the cash book. However, in actual practice the two balances rarely agree because of the time-lag of a few days between the entries made by the firm in cash book and by the bank in the pass book. Thus, a comparison is necessary to find out the items on account of which difference has arisen and a need to reconcile the two balances. Thus, a bank reconciliation statement is a statement which is prepared as on a particular date to reconcile the bank balance as per cash book with balance as per pass book by showing all causes of difference between the two.

The objectives of a Bank Reconciliation Statement include:
Identifying Discrepancies: The primary objective is to identify any discrepancies between the cash balance recorded in the organization's books and the balance reported by the bank. Discrepancies may arise due to timing differences in recording transactions, outstanding checks, deposits in transit, bank fees, interest earned, or errors made by either the organization or the bank.

Ensuring Accuracy: By reconciling the organization's cash records with the bank statement, the statement helps ensure the accuracy of the financial records. It helps in detecting errors or omissions in recording cash transactions promptly.

Preventing Fraud: Bank reconciliation serves as a control measure to detect any potential fraudulent activities, such as unauthorized withdrawals or deposits, by comparing the organization's records with the bank's records.

Facilitating Decision Making: Accurate cash balances are crucial for effective decision-making. Bank reconciliation provides management with a clear picture of the organization's actual cash position, enabling informed financial planning, budgeting, and investment decisions.

Compliance: Bank reconciliation ensures compliance with accounting standards and regulatory requirements by verifying that cash transactions are accurately recorded in the organization's financial statements.

Overall, a Bank Reconciliation Statement helps maintain the integrity of the organization's financial records, enhances transparency, and facilitates effective cash management.

(b) On 31st December, 2022, Cash Book of a merchant showed bank overdraft of ₹ 1,72,985. On comparing the Cash Book with Bank Pass Book the following discrepancies were noted:

(i) Cheques issued for Rs. 60,000 were not presented in the bank till 7th January, 2023.
(ii) Cheques amounting to Rs. 75,000 were deposited in the bank but were not collected
(iii) A Cheque of Rs. 15,000 received from Mahesh Chand and deposited in the bank was dishonoured but the non-payment advice was not received from the bank till 1st January, 2023.
(iv) Rs. 1,50,000 being the proceeds of a bill receivable collected appeared in the Pass Book but not in the Cash Book.
(v) Bank charges Rs.1,500 and interest on overdraft Rs.8,500 appeared in the Pass Book but not in the Cash Book.

Prepare a Bank Reconciliation Statement and show what balance the Bank Pass Book would indicate on 31st December 2022.

Ans.

Bank Reconciliation Statement

as on December 31, 2022

S. No	Particulars	Plus Items Rs.	Minus Items Rs.
	Overdraft as per the Cash Book		**1,72,985**
(i)	Cheques issued but not presented for payment	60,000	
(ii)	Cheques deposited but not collected		75,000
(iii)	Cheque deposited but dishonored		15,000
(iv)	Bill sent for collection honored but not entered in the Cash Book	1,50,000	
(v)a	Bank Charges		1,500
(v)b	Bank Interest on overdraft		8,500
	Overdraft as per the Pass Book	62,985	
		2,72,985	**2,72,985**

Q6. Touch Wood Ltd. purchased on 1st January, 2017 certain machinery for Rs. 1,94,000 and spent Rs. 6,000 on its erection. On 1st July, 2017 additional machinery costing Rs. 1,00,000 was purchased. On 1st July, 2019 the machinery purchased on 1st January, 2017 has been auctioned for Rs. 1,00,000 and on the same date new machinery was purchased at a cost of Rs. 1,50,000. Depreciation was provided for annually on 31st December at the rate of 10% per annum on the original cost of the machinery. No depreciation need be provided when a machinery is sold for that part of the year when the machine was used. But for the above, depreciation shall be provided on time basis. In 2021,the company has changed the method of depreciation to written down value method at the rate of 15% p.a. from the straight line method w.e.f. 2017. Show the machinery account for the period from 2017 to 2021.

Ans.

MACHINERY ACCOUNT

Date	Particulars	Rs.	Date	Particulars	Rs.
2017			**2017**		
Jan. 1	To Bank A/c (Purchase Price Machine I)	1,94,000	Dec.31	By Depreciation A/c Machine I 20,000 Machine II 5,000	25,000
Jan. 1	To Bank A/c (Erection Expenses)	6,000		By Balance C/d: Machine I 1,80,000	
July. 1	To Bank A/c	1,00,000		Machine II 95,000	2,75,000
		3,00,000			**3,00,000**
2018			**2018**		
Jan.1	By Balance b/d: Machine I 1,80,000 Machine II 95,000	2,75,000	Dec.31	By Depreciation A/c Machine I 20,000 Machine II 10,000	30,000

				By Balance C/d: Machine I 1,60,000 Machine II 85,000	2,45,000
		2,75,000			**2,75,000**
2019 Jan.1 July 1	By Balance b/d: Machine I 1,60,000 Machine II 85,000 To Bank A/c (Purchase price Machine III)	 2,45,000 1,50,000	**2019** July 1	By Bank A/c (Machine I) By Loss on sale of Machine A/c Rs (1,60,000 – 1,00,000) By Depreciation A/c Machine II 10,000 Machine III 7,500 By Balance C/d: Machine II 75,000 Machine III 1,42,500	1,00,000 60,000 17,500 2,17,500
		3,95,000			**3,95,000**
2020 Jan.1	To Balance b/d: Machine II 75,000 Machine III 1,42,500	 2,17,000	**2020** Dec.31	By Depreciation A/c Machine II 10,000 Machine III 15,000 By Balance c/d: Machine II 65,000 Machine III 1,27,000	 25,000 1,92,500
		2,17,500			**2,17,500**
2021 Jan.1	To Balance b/d: Machine II 65,000 Machine III 1,27,500	 1,92,500	**2021** Dec.31 Dec.31	By Depreciation A/c Additional Dep. Due to change of method* By Depreciation A/c Machine II 8,521 Machine III 17,691 By Balance c/d: Machine II [56,806-8,521] 48,285 Machine III [1,17,938-17,691] 1,27,000	17,756 25,212 1,48,532
		1,92,500			**1,92,500**

Working Notes:
*****Computation of Deficiency of Depreciation or Surplus Depreciation:

Year	Straight Line Method Dep on original cost (Old method)		Written Down Value Method (New Method)	
	Machine II (Rs)	Machine III (Rs)	Machine II (Rs)	Machine III (Rs)
2017	5,000	-	7,500	-
2018	10,000	-	13,875	-
2019	10,000	7,500	11,794	11,250
2020	10,000	15,000	10,025	20,812
	35,000	**22,500**	**43,194**	**32,062**

Depreciation is higher as per the new method.
Deficiency of depreciation = Rs.(43,194 +32,062) – Rs. (35,000 + 22,500)
= Rs. 75,256 – Rs. 57,500
= Rs. 17,756

Particulars	Machine II (Rs)	Machine III (Rs)
Cost	1,00,000	1,50,000
Depreciation for 2017 of 6 months at 15%	7,500	-
W.D.V. as on 1.1.2018	92,500	
Depreciation for 2018 at 15%	13,875	-
W.D.V. as on 1.1.2019	78,625	
Depreciation for 2019 at 15%	11,794	11,250
W.D.V. as on 1.1.2020	66,834	1,38,750
Depreciation for 2020	10,025	20,812
W.D.V. as on 1.1.2021	56,806	1,17,938
Depreciation for 2021	8,521	17,691
	48,285	1,00,247

Q7(a) Differentiate between Perpetual and Periodic Inventory System.

Ans. Perpetual Inventory System and Periodic Inventory System are two distinct methods used by businesses to track the quantity and value of inventory. Here's how they differ:

Perpetual Inventory System:

Continuous Tracking: In a perpetual inventory system, inventory levels are continuously updated in real-time as goods are bought and sold.

Technology Dependence: Perpetual systems heavily rely on technology, such as barcode scanners and point-of-sale systems, to track inventory movements automatically.

Accuracy: Due to the continuous tracking, perpetual systems generally offer higher accuracy in inventory records, providing real-time visibility into stock levels.

Benefits: Offers better control over inventory, facilitates timely decision-making, enables efficient reorder point management, and reduces the risk of stockouts or overstocking.

Periodic Inventory System:
Intermittent Tracking: In a periodic inventory system, inventory levels are only updated periodically, typically at the end of an accounting period (e.g., monthly, quarterly, or annually).

Manual Counting: Inventory counts are often done manually by physically counting items on hand at the end of the accounting period.

Accuracy Challenges: Periodic systems may be prone to inaccuracies due to the reliance on manual counting and the potential for errors in recording purchases and sales.

Suitability: Periodic systems are often used by smaller businesses with simpler inventory needs or those that lack the resources for a perpetual system.

Benefits: Requires less sophisticated technology and may be more cost-effective for businesses with lower inventory turnover rates or simpler inventory management requirements.

In summary, the key difference between perpetual and periodic inventory systems lies in the frequency of inventory tracking and the methods used to calculate COGS and ending inventory. Perpetual systems provide real-time tracking and offer higher accuracy but require more advanced technology, while periodic systems involve intermittent tracking and may be more suitable for smaller businesses or those with less complex inventory management needs.

(b) Set up a "stores ledger" form and enter the following transactions adopting the FIFO and Weighted Average Price method of pricing out issues.

2022

Jan1	Opening Stock	2000 pieces @Rs. 2.00 each
Jan.5	Purchases	1000 pieces @Rs. 2.20 each
Jan.10	Purchases	1500 pieces @Rs. 2.40 each
Jan.20	Purchases	1800 pieces @Rs. 2.40 each
Jan. 2	Issues	1500 pieces
Jan. 7	Issues	1000 pieces
Jan. 12	Issues	1000 pieces
Jan. 28	Issues	2000 pieces

Ans.

Stores Ledger Account
(FIFO)

Date	Receipts			Issues			Balances		
	Qty	Rate Rs.	Amt Rs.	Qty	Rate Rs.	Amt Rs.	Qty	Rate Rs.	Amt Rs.
Jan.1	-	-	-	-	-	-	2000	2	4000
Jan. 2	-	-	-	1500	2	3000	500	2	1000
Jan. 5	1000	2.2	2200	-	-	-	500 1000	2 2.2	3200
Jan. 7	-	-	-	500 500	2 2.2	2100	500	2.2	1100
Jan. 10	1500	2.4	3600	-	-	-	500 1500	2.2 2.4	4700
Jan. 12	-	-	-	500 500	2.2 2.4	3300	1000	2.4	2400
Jan. 20	1800	2.4	4320	-	-	-	2800	2.4	6720
Jan. 28				2000	2.4	4800	**800**	**2.4**	**1920**

Stores Ledger Account
(Weighted Average)

Date	Receipts			Issues			Balances		
	Qty	Rate Rs.	Amt Rs.	Qty	Rate Rs.	Amt Rs.	Qty	Rate Rs.	Amt Rs.
Jan.1	-	-	-	-	-		2000	2	4000
Jan. 2	-	-	-	1500	2	3000	500	2	1000
Jan. 5	1000	2.2	2200	-	-	-	1500	2.13	3200
Jan. 7	-	-	-	1000	2.13	2130	500	2.13	1067
Jan. 10	1500	2.4	3600	-	-	-	2000	2.33	4667
Jan. 12	-	-	-	1000	2.33	2330	1000	2.33	2330

Jan. 20	1800	2.4	4320	-	-	-	2800	2.38	6664
Jan. 28	-	-	-	2000	2.38	4755	**800**	**2.38**	**1902**

Q8 "Accounting in modern era is eyeing towards sustainable development." Justify the statement by highlighting the Contemporary Issues in Accounting.

Ans. The statement "Accounting in the modern era is eyeing towards sustainable development" reflects a growing trend where accounting practices are increasingly focusing on integrating sustainability principles into financial reporting and decision-making processes. This shift is driven by various contemporary issues in accounting that underscore the importance of sustainable development. Here are some key contemporary issues in accounting that highlight this trend:

- **Green accounting or environmental accounting or sustainable accounting:**
  With increasing awareness of climate change and environmental degradation, there's a growing demand for businesses to account for their environmental impacts.

  Environmental accounting involves quantifying and reporting environmental costs, such as pollution, waste management, and resource depletion, to provide stakeholders with a comprehensive view of a company's environmental performance.

  It goes beyond traditional financial accounting by considering the depletion of natural resources, environmental degradation, and social well-being. The Green accounting system is a type of accounting that attempts to factor environmental costs into the financial results of operations.

  Changes in the environment have a negative bearing on not just the Environment but on the economy as a whole. And, it is a well-known fact that changes in the economy have a direct bearing on the changes in any business. Therefore, it is the best tool for businesses to understand and manage the potential quid pro quo between traditional economic goals and environmental goals. It also increases the important information available for analyzing policy issues, especially when those vital pieces of information are often overlooked.

- **Human Resource Accounting**
  Human Resource Accounting is the process of identifying and measuring data about Human Resources and communicating this information to the interested parties. It is an attempt to identify and report the Investments made in Human Resources of an organization that are currently not accounted for in the Conventional Accounting Practices.

  The 21st Century has been referred to as the Century of the Service Sector. All major expansion scope seems to be happening in the service sector and the scope of expansion of the manufacturing sector is minimal.

But are the Accountants properly able to value this Service Sector and show this on the Company's Balance Sheet?

For any Company operating in the Manufacturing Sector, its core assets are its Machinery and Fixed Assets but for a Company operating in the Service Sector, its core assets are its employees which are Intangible Assets. For a Service Sector Company, the value of employees gains importance as earnings are based on the per-employee per hour billing model and profitability is linked to the value added by the workforce.

The Concept of Human Resource Accounting was established primarily for the service sector has now started gaining so much relevance that now Companies in all Sectors have applied HR Accounting and a good weightage is given to these reports when making any Company Analysis.
Benefits of Human Resource Accounting

The main benefits of Human Resource Accounting are:-

- HR Accounting helps the company ascertain how much Investment it has made in its Employees and how much return it can expect from this investment.
- The Ratio of Human Capital to Non-Human Capital computed as per the HR Accounting Concept indicates the degree of Labour Intensity of an Organization.
- HR Accounting provides a basis for planning physical assets vis-a-vis Human Resources
- HR Accounting provides valuable information to Investors interested in making Long Term Investments in Service Sector Companies.

- **Inflation Accounting**

  Inflation accounting is an accounting method designed to adjust financial statements to reflect the effects of inflation. Traditional accounting methods, based on historical cost accounting, often fail to accurately represent the true economic reality of a business when prices are changing due to inflation. Inflation accounting aims to provide a more realistic picture of a company's financial position and performance in an inflationary environment.

  Inflation accounting involves adjusting financial statements, such as the income statement and balance sheet, to account for changes in the general price level. This adjustment helps in presenting a more accurate picture of the real value of assets, liabilities, revenues, and expenses.

  Inflation accounting distinguishes between monetary items (those whose amounts are fixed in terms of money) and non-monetary items (those whose amounts are not fixed in terms of money). Monetary items are adjusted to reflect changes in the general price level, while non-monetary items are not.

- **Social Responsibility Reporting**

  Stakeholders are increasingly interested in the social impact of businesses, including their contributions to community development, labor practices, and human rights.

Social responsibility reporting, also known as corporate social responsibility (CSR) reporting, involves disclosing information about a company's social and ethical performance, including initiatives related to diversity and inclusion, employee well-being, and philanthropy.

India is the first country in the world to make corporate social responsibility (CSR) mandatory, following an amendment to the Companies Act, 2013 in April 2014. Businesses can invest their profits in areas such as education, poverty, gender equality, and hunger as part of any CSR compliance. Prior to that, the CSR clause was voluntary for companies, though it was mandatory to disclose their CSR spending to shareholders. Here are some key aspects of social responsibility reporting in India:

Legal Framework: The Companies Act, 2013, introduced mandatory CSR provisions for certain companies meeting specified financial criteria. Under these provisions, eligible companies are required to spend at least 2% of their average net profits of the preceding three financial years on CSR activities and report their CSR initiatives in their annual reports.

CSR Reporting Guidelines: The Ministry of Corporate Affairs (MCA) has issued CSR reporting guidelines to help companies effectively communicate their CSR activities and impacts. These guidelines provide a framework for reporting on CSR initiatives, expenditure, and outcomes.

Global Reporting Initiatives (GRI): Many companies in India adopt the Global Reporting Initiative (GRI) standards for sustainability reporting, which provide a comprehensive framework for disclosing economic, environmental, and social performance. GRI standards help companies align their reporting with international best practices and enhance comparability.

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END TERM EXAMINATION

THIRD SEMESTER [BBA] JANUARY 2024

Paper Code: BBA203 **Subject: Marketing Management**

[BATCH 2021 ONWARDS]

Time: 3 Hours ***Maximum Marks: 75***

Note: Attempt any five questions.

Q1 "The Evolution of the concept of Marketing has been a gradual process." Explain the philosophies of marketing while throwing light on the above statement? **(15)**

Q2 Explain Segmentation, Targeting and Positioning? Which are the most suitable criteria for market segmentation. **(15)**

Q3 What is New Product Development? Why is test marketing imperative before commercialization? **(15)**

Q4 What is the pricing process adopted by organizations? Explain the different pricing methods and distinguish between skimming and penetration techniques with suitable examples. **(15)**

Q5 What are the factors that influence choice of distribution channels? Explain the functions of the intermediaries. **(15)**

Q6 What do you understand by promotion mix? What are the factors that influence the choice of promotional tools by an organization? **(15)**

Q7 Rural Markets are the new destination to boost sales and profits. Why are companies targeting rural markets in the current times to meet their desired sales figures. **(15)**

Q8 Green marketing techniques help in conserving the environment while also making profits. What according to you are the trending tools of Green Marketing. **(15)**

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P

SOLUTION 1.

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

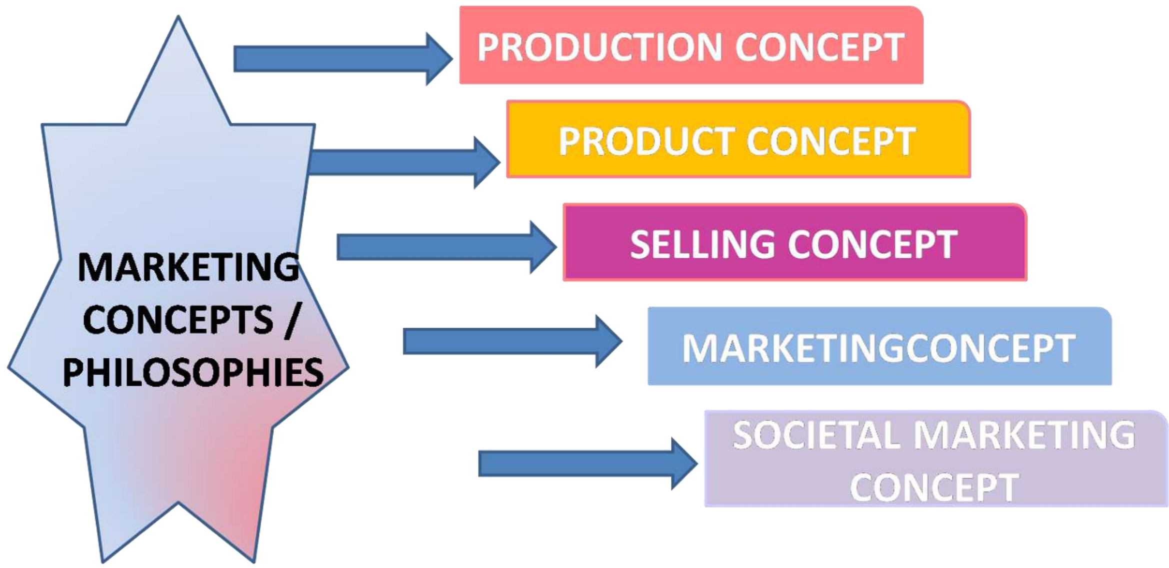
Marketing and its Importance for Businesses

- **Effective consumer engagement**: Businesses must engage customers, and herein, marketing proves to be an effective tool. Customers can be engaged by telling them what they do not know and creating good content around your products and services.
- **Building and maintaining reputation**: The reputation of your business depends on how it grows and what its lifespan is. This is where marketing comes across as a way to build the brand equity of businesses. And this happens when the expectations of the customers are met.
- **Building relationships between customers and business**: For any business to grow, it must build a long-lasting relationship with its customers. Marketing is based on demographics, psychographics, and consumer behavior and therefore, gives an understanding of what customers want.
- **Boosting sales**: Since marketing utilizes different ways to promote products or services, it helps in increasing the likelihood of better sales. Happy customers translate into a company's brand ambassadors automatically.
- **Staying relevant**: Marketing helps a business to remain relevant to the customers and in its domain. It helps in maintaining good relationships.
- **Making informed decisions**: The basic questions that every business has are around the how's and why's of producing products or delivering services. This underscores the importance of marketing for businesses and the fact that it links a business and society.

The above statement that the evolution of marketing has been a gradual process is true. The same can be explained using the concepts/philosophies of marketing as under:

MARKETING PHILOSOPHIES/CONCEPTS

Marketing management philosophies are those philosophies that are used by businesses with the aim of guiding their marketing efforts. There are five marketing management philosophies that can help an organization better market its products and services; therefore, a business should choose the philosophy carefully. Besides, the same philosophy cannot provide the same result or benefit to every organization. Hence, it is essential for an organization to choose a philosophy that can identify and fulfil the needs of its customers and benefit the organization as well as the customers.



In order to achieve desired exchange outcomes with target markets, it is important to decide what philosophy or thinking should guide the marketing efforts of an organization.

An understanding of the philosophy or the concept to be adopted is important as it determines the emphasis or the weightage to be put on different factors, in achieving the organizational objectives.

Example - If marketing efforts of an organization will focus on product or on selling techniques.

1. Production Concept

Some organizations believe that they can sell products easily if they are inexpensive and easily available to consumers. Hence, these organizations follow the **production concept,** under which they focus on reducing the production cost of the products by producing goods in bulk and distributing it to customers. In other words, the focus of this concept is on large-scale production so as to reduce costs. However, this concept is not that useful, as it has its limitation in that the customers don't always go for inexpensive and easily available products. It is because a low-price product may attract customers towards it, but since the main focus of the company was on production and not on the quality of the product, it can decrease the sales of the product if it does not meet up to the standards of the consumer.

The production concept works best when the demand for a product is more than its supply. However, a consumer does not always buy inexpensive products, there are other factors also which influence their decision regarding the purchase of a product. **For example,** Ford Motor Company – Ford's Model T followed the production concept.

2. Product Concept

Some organizations believe that they can sell products easily and can attain business goals if they manufacture products of high quality. Hence, these organizations manufacture products of superior quality. However, the disadvantage of this concept is that organizations should understand that consumers will purchase high-quality product only when they need it or want it, good quality of a product is not the sole factor in a purchase decision. **For example,** a firm dealing in high-quality clothes will have demand only when the customers need them.

The organizations following the product concept focus mainly on the good quality and extra features of the product and hence devote most of their time on developing a high-quality product, which most of the time increases the price of the product. **For example,** Apple uses product concept and focuses on the quality of its products, which makes them costly.

3. Selling Concept

Some organizations believe that they can sell more products by convincing them through aggressive selling and other promotional efforts. By using the selling concept, an organization can make a consumer purchase a product which they have no interest in buying. Therefore, organizations which rely on the selling concept use the power of advertising and various other persuasion techniques to influence the customers in buying the product. In simple terms, it can be said that the motto of the selling concept is, **'Sell what you have",** which means that the product is sold by the seller by hook or crook.

The selling concept focuses on the needs of the producers and sells whatever is manufactured. In other words, this concept does not concentrate on the needs and requirements of the consumers who are the ultimate user of the product. Therefore, the sale of a product depends upon the buyer's manipulation. Under this concept, the basic aim of the seller is to turn the goods into cash even if they have to use unfair tactics.

For example, insurance companies tend to use the selling concept while selling insurance policies. Therefore, the selling concept can provide good results in the short run, but not in the long run.

4. Marketing Concept

The organizations using the marketing concept believe that they should always fulfil the needs of the customers and produce goods according to their requirements and wants. It means that through marketing concept the organizations try to satisfy the needs of the customers better than their competitors. Hence, this concept states that **'customers' satisfaction'** is the pre-condition of the organization's objectives and goals.

The five pillars of the marketing concept or the process of marketing concept are as follows:

1. Identifying market or customers who are selected as the target market by the organization.
2. Understanding the needs, wants, and requirements of the customers in the target market.
3. Developing the products or services to satisfy the needs of the customers in the target market.
4. Satisfying the needs of the customers in the target market better than its competitors.
5. Performing all of the above steps at a profit.

Under marketing concept, firms do not sell what they produce, but they produce and sell what their customers want. The organizations which adopt marketing concept gives importance to customers and competitors, as these two are the two important market forces. The firms have to keep a close check on the needs and requirements of the customers and the activities of the competitors so they can satisfy the needs of the customers better than their competitors.

5. Societal Concept

Even though the marketing concept satisfies the needs and wants of customers in the best possible way, it faces criticism from people concerned about the environment and society. They believe that companies should not blindly follow their goals of customer satisfaction and should also look for social and environmental factors. If an organization focuses only on customer satisfaction, then it may result in many social and environmental issues. **For example,** if a customer wants drugs, then the company just to satisfy the customer should not manufacture drugs and supply him. Hence, the societal concept states that an organization should fulfil customers' satisfaction that is within the ethical and environmental aspects of society.

SOLUTION 2.

Market segmentation is a marketing term that refers to aggregating prospective buyers into groups or segments with common needs and who respond similarly to a marketing action. Market segmentation enables companies to target different categories of consumers who perceive the full value of certain products and services differently from one another. It can be further explained using the following points:

- Market segmentation seeks to identify targeted groups of consumers to tailor products and branding in a way that is attractive to the group.
- Markets can be segmented in several ways such as geographically, demographically, or behaviorally.
- Market segmentation helps companies minimize risk by figuring out which products are the most likely to earn a share of a target market and the best ways to market and deliver those products to the market.
- With risk minimized and clarity about the marketing and delivery of a product heightened, a company can then focus its resources on efforts likely to be the most profitable.
- Market segmentation can also increase a company's demographic reach and may help the company discover products or services they hadn't previously considered.

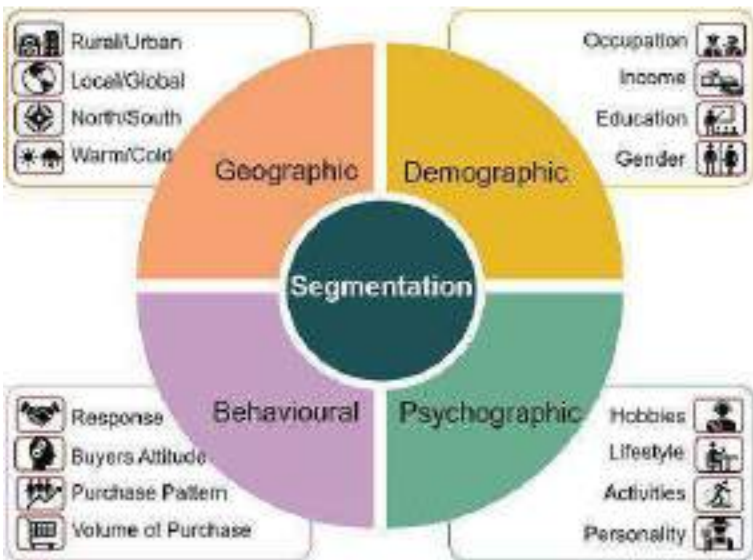
The different types of market segmentation

There are three main types of segmentation bases. Each works well with different businesses and industries, so it's essential to consider your options before deciding on the best for your needs. The three main types of market segmentation are demographic, psychographic, and behavioral.

Demographic segmentation divides people based on their age, income, education level, and occupation. Some examples of companies that use demographic segmentation include insurance providers, healthcare companies, and banks.

Psychographic segmentation divides people based on their values, attitudes, and interests. Some examples of companies that use psychographic segmentation include car manufacturers, clothing retailers, and political campaigners.

Behavioral segmentation divides people based on their buying habits and brand loyalty. Some examples of companies that use behavioral segmentation include supermarkets, hotels, and fast-food restaurants.



Market Segmentation Process

1. Target Audience / Market and The Size of The Market

Identifying the market and the target audience is the foundation for any marketing campaign. It helps marketers study the type of consumers in the target audience section and set expectations according to their needs. It helps organize and plan their marketing strategies as per the size of the target audience's market and taste.

2. Set Expectations for the Targeted Audience

Once the target audience and size of the targeted audience are identified, it is necessary to review the needs and requirements of the consumers to meet the demands and expectations of the consumers.

3. Distinguish the Categories and The Subcategories of Products

Based on the demographic factors of the classification of the consumers, the marketers must subcategorize the products to fit the requirements of different age groups, different gender, and so on.

4. Study or Research the Needs and Behavior of the Targeted Consumers

The marketing team must review the needs and preferences of the consumers from each section of society. It will also be easy to develop a generic marketing strategy if the requirements of the consumers are studied and reviewed carefully.

5. Strategize the Marketing Campaign

Once the market research of all the necessary factors has been done, and the marketers have accumulated the consumer interest and their behavior, the marketing team is all set to strategize their campaign for a particular product or service. Different advertisements and promotions, banners, etc., are included to promote the product or the service. The promotion should be done to establish a connection between the consumer and the product or the service, as the connection is very important for the campaign's success.

Importance of Market Segmentation Process

The importance of the Market Segmentation Process is as follows:

1. Market segmentation eases campaign management and helps to strategize marketing plans for marketers. Thus, market segmentation allows marketers to customize their campaigns.

2. Efficient market research and segmentation help save a lot of useful time, money, and resources invested in the marketing campaign. Also, the customers are grouped according to their needs, commonalities, choices, statuses, etc. It becomes easy to target the audience for the marketers. Thus, through market segmentation, the campaign management process is conducted smoothly, efficiently, and cost-effectively.

3. Market segmentation helps to study the market needs and potential consumers, which reduces the risk of loss or unsuccessful marketing campaigns. As the market research is done before the campaign, the chances of success are much higher as the market

segmentation helps the marketers do their homework for marketing. The marketers can strategize and plan their campaign per the potential consumers' generic needs as per the market research. In a nutshell, market segmentation is highly effective in increasing the rate of success.

4. Market segmentation can be used to prioritize the consumer or the target audience and how it benefits the marketers. Market segmentation helps you study the potential of the consumer to buy a particular product, which is the cornerstone factor for successful marketing and allows the marketers to offer discounts and deals to attract the consumers' attention toward the product.
5. By narrowing the market and the target, consumers help save money and other targeted resources engaged in marketing the product or specific campaign, which is crucial for any company, firm, or organization.

Requirements for Effective Segmentation

Identifying the requirements for effective market segmentation allows companies to create marketing campaigns that are essential for their growth and development. Here are the five criteria for effective market segmentation:

1. Measurable

The size and purchasing power profiles of your market should be measurable, meaning there is quantifiable data available about it. A consumer's profiles and data provide marketing strategists with the necessary information on how to carry out their campaigns.

It would be difficult to create advertisements for markets that have little to no data or for audiences that can't be measured. Always ask whether there is a market for the kind of product or service that your business wants to produce then define how many possible customers and consumers are in that market.

2. Accessible

Accessibility means that customers and consumers are easily reached at an affordable cost. This helps determine how certain ads can reach different target markets and how to make ads more profitable.

A good question to ask is whether it's more practical to place ads online, on print, or out of house. For example, gather data on the websites a specific target market usually visits so you can place more advertisements on those websites instead.

3. Substantial

The market a brand should want to penetrate should be a substantial number. You should clearly define a consumer's profiles by gathering data on their age, gender, job, socio-economic status, and purchasing power.

It doesn’t make sense to try and reach an unjustifiable number of people — you’re just wasting resources. However, you also don’t want to market the brand to a group too small that the business doesn’t become profitable.

4. Differentiable

When segmenting the market, you should make sure that different target markets respond differently to different marketing strategies. If a business is only targeting one segment, then this might not be as much of an issue.

But for example, if your target market is college students, then it’s essential to create a marketing strategy that both freshman students and senior students react to in the same positive way. This process ensures that you are creating strategies that are more efficient and cost-effective.

5. Actionable

Lastly, your market segments need to be actionable, meaning that they have practical value. A market segment should be able to respond to a certain marketing strategy or program and have outcomes that are easily quantifiable.

As a business owner, it’s important to identify what kind of marketing strategies work for a certain segment. Once those strategies have been identified, ask yourself if the business is capable of carrying out that strategy.

MARKET TARGETING

Market targeting is a process of selecting the target market from the entire market. Target market consists of group/groups of buyers to whom the company wants to satisfy or for whom product is manufactured, price is set, promotion efforts are made, and distribution network is prepared.

It involves basically two actions – evaluation of segments and selection of the appropriate market segments. In this relation, market targeting can be defined as: Market targeting is an act of evaluating and selecting market segments.

Finally, we define market targeting as: Market targeting consists of dividing the total market into segments, evaluating these segments, and selecting the appropriate segments as the target market.

MARKET POSITIONING

Simply put, positioning in marketing is a **strategic process that involves creating an identity/ image of the brand or product within the target customers’ minds.**

The process indicates how you differentiate your product/ service from that of your competitors and then determine which market niche to fill. A company’s marketing positioning strategy is affected by plenty of variables related to customers’ requirements and motivations, as well as by its competitors’ actions.

Let’s see some typical examples of marketing positioning:

- Tesla and Audi position themselves as a luxury status symbol

- Starbucks positions itself as a trusted source of upscale quality coffee and beverage.
- McDonald's positions itself as a place to get quick and cheap meals.
- Microsoft and Apple position themselves as a tech company that offers innovative and user-friendly products.

Types of positioning in marketing

Below are some common types of positioning in marketing.

- **Pricing**

Pricing is an essential factor that impacts the decisions of most customers. Companies with the lowest-priced products at a reasonable level of quality usually wins in many product areas.

For example, Gillette vs. Dollar Shave Club. Lower-priced alternatives to some high-quality brands like Gillette have changed the landscape of razors and refill blades. The Washington Post reported on Gillette's decreasing market share due to Dollar Shave Club's low prices. The cheapest refill razor cartridge of Dollar Shave Club was 20 cents, compared to $2 to $6 a cartridge for Gillette.

- **Quality**

Quality can help rebuff most pricing wars. In some markets, such as luxury cosmetics or cars, quality can define who the competitors are.

For instance, Chipotle vs. Taco Bell. Ranked 14th in the top 50 fast-food restaurants in America by QSR Magazine, Chipotle has grabbed a significant market share over the years by focusing on quality instead of price.

- **Differentiation**

Differentiation is what sets your product or service apart from the crowd. If your product or service is dramatically different, rivals may not pose as much of a threat. **For example, Toyota vs. Tesla**. Tesla entered the electric vehicle market with a luxury sports model, rapidly sidestepping economy cars like the Toyota Prius. Tesla actually targeted the high-end market with the Model S.

- **Convenience**

Convenience creates an easier life for customers. From location to usability, convenience could incorporate something like free returns and E-commerce.

For example, Simple vs. Bank of America. Some traditional banks have been slow to create mobile apps, but online-only banks like Simple have invested in this to appeal to younger and more technical-savvy customers. The company even charges no fees and has convenient built-in budgeting and savings tools.

- **Customer service**

Customer service emphasizes creating helpful and friendly interactions. This can be especially critical in specific industries, such as restaurants and banking areas.

For example, Allstate vs. State Farm. Both insurance companies recognize the importance of customer service in this industry, where contact with customers is indispensable. They use customer service-based messages in their marketing to focus on this position.

- **User group**

This type of positioning targets a particular group of users and explains why the company's offerings are directly applicable and relevant to this group.

For instance, Johnson's vs. Axe. While Johnson's baby shampoo positions itself as gentle for children, Axe body spray targets men.

Benefits of positioning in marketing

There are several reasons why you should consider making positioning part of your marketing strategy. With the right positioning tactic, you can create better marketing messages, shape your services better, and structure pricing plans so that you remain competitive.

Here are 5 advantages of positioning in marketing:

- **Create a strong competitive position.**

Proper positioning influences how customers perceive your product or service relative to the competition. When you create a positive image of your product/ service in the customers' minds, you're likely to enjoy an ongoing market advantage. By doing this, you can claim your position in the competitive landscape, which helps you a lot to stay ahead of the curve.

- **Improve sales.**

One of the main goals of any business is to improve sales and revenue. Implementing a task management software can help businesses achieve this goal by enabling them to streamline their operations, prioritize tasks, and manage resources more effectively. By having a more relevant offering and communicating it more effectively, your company may be able to penetrate a new market, which can translate into new clients and additional sales.

- **Define a clearer target market.**

Positioning in marketing allows you to claim a specific feature or benefit and focus your products/ services accordingly so that you appear as an expert in the services. As a result, your value to prospects will increase significantly.

- **Make more effective decisions.**

Once you have the core message that ensures successful positioning strategies, you'll be in a position to make more effective decisions throughout the process. Clear positioning in marketing also drives effective communication, provides healthier and stronger relationships with customers.

- **Connect to consumer needs.**

Through positioning in marketing, companies have an opportunity to communicate the critical benefits that their product/ service offers. It not only helps to energize the product but also connects it to the specific customer that needs it.

SOLUTION 3.

NEW PRODUCT DEVELOPMENT

New Product Development refers to the *complete* process of bringing a new product to market. This can apply to developing an entirely new product, improving an existing one to keep it attractive and competitive, or introducing an old product to a new market.

Stages of New Product Development

1. Idea Generation

The new product development process starts with idea generation. Idea generation refers to the systematic search for new-product ideas. Typically, a company generates hundreds of ideas, maybe even thousands, to find a handful of good ones in the end. Two sources of new ideas can be identified:

- ***Internal idea sources:*** the company finds new ideas internally. That means R&D, but also contributions from employees. For instance, many companies use a so-called suggestion box, which employees can throw new ideas into. In many cases, employees are the best source of new ideas, as they work with the product, but also the feedback of customers every day.
- ***External idea sources:*** the company finds new ideas externally. This refers to all kinds of external sources, e.g. distributors and suppliers, but also competitors. The most important external source are customers, because the new product development process should focus on creating customer value. Collecting new product ideas from customers becomes ever more important and simpler in the digital era, where the conversation between companies and customers is as interactive as never before. Actively listening to customers' suggestions can be a great source of innovation.

2. Idea Screening

The next step in the new product development process is idea screening. Idea screening means nothing else than filtering the ideas to pick out good ones. In other words, all ideas generated are screened to spot good ones and drop poor ones as soon as possible.

While the purpose of idea generation was to create many ideas, the purpose of the succeeding stages is to reduce that number of ideas.

3. Concept Development and Testing

To go on in the new product development process, attractive ideas must be developed into a product concept. A product concept is a detailed version of the new-product idea stated in meaningful consumer terms. You should distinguish the following sub-stages:

- *A product idea* – this is really just an idea for a possible product.
- *A product concept* – this is a detailed version of the idea stated in meaningful consumer terms.
- *A product image* – this is the way consumers perceive an actual or potential product.

4. Marketing Strategy Development

The next step in the new product development process is the marketing strategy development. When a promising concept has been developed and tested, it is time to design an initial marketing strategy for the new product based on the product concept for introducing this new product to the market.

The marketing strategy statement consists of three parts and should be formulated carefully:

- A description of the target market, the planned value proposition, and the sales, market share and profit goals for the first few years.
- An outline of the product's planned price, distribution and marketing budget for the first year.
- The planned long-term sales, profit goals and the marketing mix strategy.

5. Business analysis

Once the company has decided upon a product concept and marketing strategy, management can evaluate the business attractiveness of the proposed new product. The fifth step in the new product development process involves a review of the sales, costs and profit projections for the new product to find out whether these factors satisfy the company's objectives. If they do, the product can be moved on to the product development stage.

6. Product development

The new product development process goes on with the actual product development. Up to this point, for many new product concepts, there may exist only a word description, a drawing or perhaps a rough prototype. But if the product concept passes the business test, it must be developed into a physical product to ensure that the product idea can be turned into a workable market offering. The problem is, though, that at this stage, R&D and engineering costs cause a huge jump in investment.

7. Test marketing

The last stage before commercialization is test marketing. In this stage of the new product development process, the product and its proposed marketing program are tested in realistic market settings. Therefore, test marketing gives the marketer experience with marketing the product before going to the great expense of full introduction. In fact, it allows the company to test the product and its entire marketing program, including targeting and positioning strategy, advertising, distributions, packaging etc. before the full investment is made.

8. Commercialization

Test marketing has given management the information needed to make the final decision: Launch or do not launch the new product. The final stage in the new product development process is commercialization. Commercialization means nothing else than introducing a new product into the market. At this point, the highest costs are incurred: the company may need to build or rent a manufacturing facility. Large amounts may be spent on advertising, sales promotion, and other marketing efforts in the first year.

Test marketing is imperative before commercialization for several reasons:

- **Identifying Potential Issues:** Test marketing allows a company to identify potential issues with a new product or service before a full-scale launch. It helps uncover any flaws in the product, packaging, pricing, or marketing strategy that might have been overlooked during the development phase.
- **Assessing Market Response:** By test marketing in a specific geographic area or a targeted demographic, companies can gauge how the target market responds to the product. This includes understanding customer preferences, gathering feedback, and assessing overall market acceptance.
- **Fine-Tuning Marketing Strategies:** Test marketing provides an opportunity to fine-tune marketing strategies. Companies can evaluate the effectiveness of their advertising, promotional campaigns, and distribution channels. Insights gained during test marketing allow for adjustments to be made to optimize the marketing mix.
- **Pricing Strategy Validation:** Testing the product in a real market environment helps validate the pricing strategy. Companies can assess whether consumers find the product's value proposition compelling at the proposed price point or if adjustments are needed to align with market expectations.
- **Competitive Analysis:** Test marketing allows companies to evaluate how their product performs in comparison to competitors in a real-world setting. Understanding how the product stands out or competes in the market helps refine the positioning and differentiation strategies.
- **Supply Chain and Distribution Testing:** Test marketing provides an opportunity to test the efficiency of the supply chain and distribution channels. It helps identify any logistical challenges, bottlenecks, or issues related to inventory management before a full-scale launch.
- **Risk Mitigation:** Conducting a test market serves as a risk mitigation strategy. It allows companies to identify and address potential challenges early on, reducing the risk of significant financial losses associated with a nationwide or global launch.
- **Building Customer Awareness:** Test marketing helps in building initial awareness among customers in the selected market. This can be beneficial for generating early interest, word-of-mouth promotion, and establishing a foundation for a successful broader launch.
- **Data Collection and Analysis:** Companies can collect valuable data during test marketing, including consumer preferences, buying behavior, and other market insights. This data is crucial for making informed decisions and refining the product or marketing strategy.

In summary, test marketing is a strategic step that allows companies to validate and refine their product and marketing strategies based on real-market feedback. It minimizes risks, enhances the chances of a successful launch, and ultimately contributes to the overall commercial success of a new product or service.

SOLUTION 4.

Pricing is one of the four main elements of the marketing mix. Pricing is the only revenue-generating element in the marketing mix (the other three elements are cost centers-that is, they add to a company's cost). Pricing is strongly linked to the business model.

The business model is a conceptual representation of the company's revenue streams. Any significant changes in the price will affect the viability of a particular business model.

A well-chosen price should accomplish three goals:

- achieve the company's financial goals (profitability)
- fit within the realities of the marketplace (customers are willing and able to pay the set price)
- support a product's positioning and be consistent with the other variables in the marketing mix (product quality, distribution issues, promotion challenges)

The Five Critical Cs of Pricing

Cost

Cost is the most obvious element of the pricing decisions. As we've already discussed, you must know the cost of doing business—both fixed and variable—before you can set an adequate price. However, cost alone cannot be the only basis on which a pricing decision made. After all, buyers never know (and don't care) how much it costs a business to produce its goods and services.

Customers

Customers are another key element to pricing decisions, as you've learned already in this chapter. Marketers must determine not only what customers expect a product or service to be priced at but also what those customers are willing to pay. Toyota manufactures cars and markets them toward the middle class. Through research, it has determined what its target market is willing and able to pay for a particular vehicle. Alternatively, Lexus, which is marketed as more of a luxury car, has a higher price point and is marketed to a different market than that of Toyota.

Channels of Distribution

Many products are sold through channels of distribution—intermediaries who move products from manufacturer to end users. Intermediaries affect the prices of products because they also need to maximize their profits. Therefore, pricing decisions must consider profits, expenses, and the value they are adding to the product or service.

IKEA began as a mail-order catalog in 1953 in Älmhult, Sweden. Today, it is a global home furnishings brand that focuses on sustainability. Its distribution channel consists of the manufacturer, dealer, wholesaler, and retailer. Each of these channel members are in business to make a profit. Therefore, the price strategy that IKEA utilizes must help to ensure that each member is financially satisfied while making a profit itself and keeping the price that is of value to the end user. If any of the channel members (or the end user) does not find value in the price set by IKEA, the entire channel becomes weak and unsustainable.

Competition

Every company and product faces competition. Even the most unique products are competing for buyer dollars. Buyers' perception of one product in comparison to that of alternatives has an important impact on pricing decisions. Gazelle Bikes is a top-tier manufacturer of bicycles. The bikes offered by Gazelle have a starting price point of $1,499. One of Gazelle's competitors, Giant, has a starting price point of $1,720. For bicycle enthusiasts, these price points are important when comparing one brand with another; an enthusiast who comes across a new brand of bicycles with a starting price of just $200 would not position it with Gazelle and Giant bicycles.

Compatibility

Panama City Beach has been one of the most popular spring break destinations of college students for decades. In fact, it is considered the "Spring Break Capital of the World." It is well-known for its late-night parties, concerts, and celebrity sightings. Hotels and clubs along the beach of Panama City drive their marketing efforts toward this segment of the market: college-aged spring break–goers. The prices they set for the weeks of spring break are compatible with both this segment of the market's ability to pay and the businesses' profitability. Conversely, hotels in areas of Florida that are more family-friendly set prices that are considered a value for families and promote the hotels toward families rather than college-aged partygoers.

Pricing decisions are not made in a vacuum. When marketers set a price for a good or service, it must be consistent with the other marketing objectives. Imagine if McDonald's started offering a $20.00 ribeye steak. This decision would be inconsistent with the marketing of the company's low-priced fast food, would be confusing to customers, and thus would not be successful.

PROCESS TO DETERMINE PRICE OF A PRODUCT

Step 1: Selecting the pricing objective.

Pricing can make reaching the company's positioning goals easier. If the company has to work over its capacity or handle tough competition, the price of the product would need to take into account two factors. The variable costs and a part of the fixed cost.

Although short-term, this strategy can help boost initial performance for companies who are introducing revolutionary products or services.

If a company is looking to maximize the profit, it can set a higher price by considering costs and the competition. On the other hand, if a company is looking to improve and maximize its market share, it will set a lower price to generate maximum volume.

However lucrative, this strategy can be risky, as it can cause consumer-related or legal issues.

Step 2: Determining demand.

According to the law of economics, there's a definite demand for a product at every price level. However, this law depends on the nature of the product in question. For instance, demand rises with the price increase for luxury goods, while the demand for a commodity will fall as the price rises.

What companies must do is plan the demand curve while understanding price sensitivity. It is possible to estimate the demand curve by analyzing historical data or performing price-related tests. That way, a company can gain a deeper insight into how much the consumers are willing to pay for a specific product or service.

Step 3: Estimating costs – ensuring profits.

In order to continue working successfully, companies need to manage their costs so that they are left with a good profit margin. Therefore, to achieve this, a company needs to establish a production level at which it will be able to maintain its fixed and variable costs.

In general, the cost per unit decreases as production level increases. That is simply due to the learning curve effect that comes with increased experience. So, to ensure you profit with this strategy, you need to allocate the costs and set the price accordingly.

Step 4: Analyzing Competitors' Costs, Prices, and Offers

Every company must track its competitors carefully. That especially goes for pricing, costs, and promotional offers. Companies need to know just how much their competitors' prices can fluctuate in comparison to their own. They also need to be ready to adjust to those fluctuations with their own offers.

Step 5: Choosing your pricing method.

There are several methods you can go for with regards to the pricing process of your products or services.

These are the most popular ones:

- The markup method means that you're setting a price based on your desired profit level.
- Target return means that you're setting a price based on the company's desired ROI.
- Perceived value is as simple as setting a price based on how much your consumers believe your product or service is worth to them in reality.

There are also auction type pricing and group pricing methods, but they are less popular.

Step 6: Determining the final price.

The previous steps will help you set a price, but the final word goes to your consumers. Do market research to make sure that you're not under or overcharging for your products or services.

<u>Types of Pricing Strategies</u>

The following are a few pricing strategies that businesses adopt: -

- **Price Skimming:**

A skimming pricing strategy is a pricing technique in which a business sets its initial price high and gradually lowers it when more competitors enter the market. This is ideal for businesses that are entering an emerging market. Here, businesses maximize profit utilizing the price demand of certain markets. They possess the first-mover advantage, where they are the first to introduce or market the product or service. The skimming pricing strategy makes a profit in the early stages of the product or service's market until other competitors enter and supply increases.

- **Pricing for market penetration:**

It is the opposite of **price skimming**. Skimming starts with huge prices, and the penetration pricing strategy uses low prices to enter the market. This is done to attract the existing consumer base of the competitors. Once there is establishment of a reliable pool of consumers, the costs slowly increase. **Penetration pricing** strategy depends mostly on the ability of the business to bear the losses made in the initial years. Big MNCs especially employ this to get a strong footing in developing countries' markets.

- **Premium pricing:**

Premium pricing strategy involves businesses that create high-quality products and market them to high-income or net-worth individuals. The key here is to manufacture unique, high-quality designs and products that convince the users to pay such huge amounts. The premium pricing strategy targets the luxury goods market.

- **Bundle pricing:**

As the name suggests, it is a strategy where a business sells a bundle of goods together. Typically, the total of the goods is lower than the individual products sold separately. This helps in moving the inventory and selling the stocks that are left over. The strategy has the potential to make profits (or save from losses) on low-value items.

- **Value-based Pricing:**

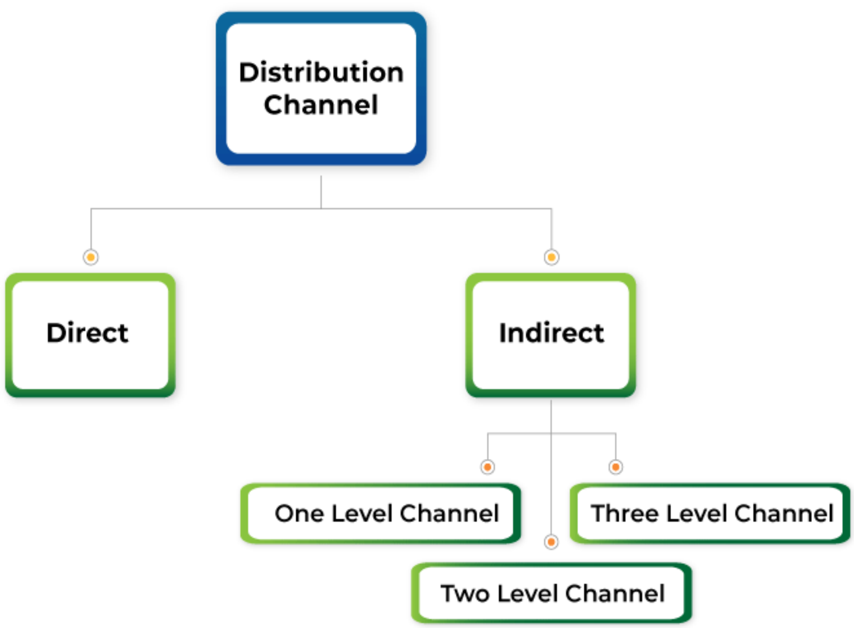
This concept is like premium-based pricing. Here, the business decides the price based on the customer's valuation of the product's worth. This is best suited for unique products.

SOLUTION 5.

A distribution channel, in simple terms, is the flow that a good or service follows from production or manufacturing to the final consumer/buyer. Distribution channels vary but typically include a producer, a wholesaler, a retailer, and the end buyer/consumer. A distribution channel can also provide a sense of how money flows back from the buyers to the producer or original point of sale.

Channels of Distribution

A set of middlemen or intermediaries who help an organization in the flow of goods and services from the manufacturers to the consumers are known as **Channels of Distribution.** The intermediaries along with the help in the physical movement of goods, also help in the movement or title or transfer of ownership. The two types of channels of distribution or distribution level are **Direct Channel** and **Indirect Channel.**



Types of Distribution Channels/Level

1. Direct Channel (Zero Level)

As the name suggests, a **direct channel** or **zero level** is a distribution level through which an organization directly sells its products to the customers with the involvement of any intermediary. **For example, jewelers** use direct channels, Apple sells its products directly to the customers through its stores, Amazon sells directly to the consumers, etc. Some of the most common types of direct channels of distribution are Direct sales by appointing salesmen, through Internet, teleshopping, mail order house, etc.

2. Indirect Channels

When a middleman or intermediary is involved in the distribution process, it means the organization is using **Indirect Channels of Distribution.** The indirect channels of distribution can be classified into three categories; viz., One Level Channel, Two Level Channel, and Three Level Channel.

<u>Factors Determining Choice of Channels</u>

The factors which determine the choice of channels of distribution are as follows:

1. **Product Related Factors:** The selection of distribution channel is affected by the products manufactured by a company. Some of the related factors are as follows:

- **Industrial/ Consumer Product:** As industrial products are usually technical, expensive, bulky, and purchased by few buyers, direct or short channels should be used. In the case of consumer goods, long or indirect channels are used because such goods are standardized, less expensive, less bulky, non-technical and frequently bought products.
- **Perishability:** Perishable products like fruits, vegetables, milk, etc., must be sold through short channels, whereas for non-perishable items like toothpaste, soap, etc., long channels are preferred.
- **Unit value of Product:** When the unit value is high for a product as in the case of expensive products, direct or short channels should be used, whereas, for products with low unit value, long channels should be used.
- **Degree of Complexity:** Products which are complex and require technical advice or guidance, direct channels should be used, but for simple and non-technical products, long channels should be used.

2. **Company Characteristics:** Some of the most important factors which influence the choice of channels are:

- **Financial Strength:** If a company is financially strong, then it can easily opt for direct channels. But if a company is not financially strong, then indirect channels should be used.
- **Degree of Control Desired:** Short or direct channels are used if a company wants to exercise full control over distribution. But, if a company does not want to exercise control over the distribution, then indirect channels should be preferred.

3. **Competitive Factors:** The choice of channel also depends on the channel selected by the competitors. A company can select the same channel as selected by its competitors. For example, most e-commerce shopping apps opt for similar distribution channels. Sometimes, companies adopt entirely different channels than their competitors. *For example,* Urban Company provides customized services which are available at the doorstep of the customers, unlike usual salons in which customers must go to avail services.

4. **Market Factors:** The choice of the channel also depends upon the market. Some of the prominent factors are:

- **Size of Market:** It is economical to use more intermediaries if the size of the market is large with numerous customers. Direct or short channels are preferred if the market size is small with a limited number of customers.
- **Geographical Concentration:** It is better to go with direct or short channels of distribution if buyers are concentrated in a small geographical area. But if buyers are scattered over a wide geographical area, then companies should opt for indirect channels.
- **Quantity Purchased:** If the average size of the order is small, then longer channels should be preferred, but if the size of the order is large, then direct channels should be used.

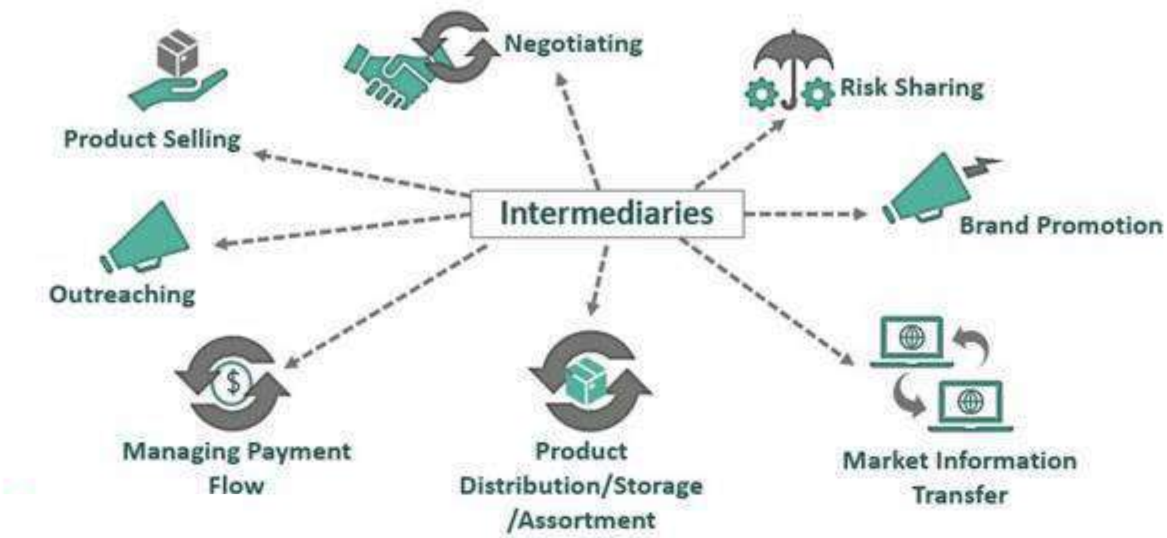
5.Environmental Factors: The choice of channel is also affected by environmental factors, like economic condition, government policy, statutory provisions, technological development, etc. *For example,* shorter channel is used during depression to achieve economy in the distribution of goods.

Functions of Marketing Intermediaries

The products or services are transferred from manufacturer to the customers through marketing intermediaries. The place, time and possession gaps are overcome by the marketing intermediaries. Following are the important functions of marketing intermediaries.

- **Information:** One big function of marketing intermediaries is that they are helpful in provision of useful information. Particularly about the forces and actors in the markets in the management and marketing research teams.
- **Promotion:** They also communicate with the customers about the new offering of the businesses.
- **Contact:** Prospective customers are found by the marketing intermediaries. Then they are effectively communicated by these intermediaries.
- **Matching:** Marketing intermediaries also match the various diversified needs and wants of customers. To the different supplies of the manufacturers including the assembling, grading, and packaging of products.
- **Negotiation:** This is an important function in which the intermediaries negotiate with the customers. To reach a certain price so that the ownership of the product is shifted.
- **Physical Distribution:** The physical distribution of products is also done by them.

- **Financing:** Intermediaries also provide some funding to the businesses which are properly used by the businesses. To cover some of their distribution costs.
- **Risk Taking:** These intermediaries also take some risk in acquiring different old and new products. Nor services from various businesses.



SOLUTION 6.

The Promotion Mix refers to the blend of several promotional tools used by the business to create, maintain, and increase the demand for goods and services. A promotional mix is an amalgamation of marketing techniques to promote a product or service. It is used to reach a wider audience. The aim is to increase brand awareness, regulate product revenue, and meet sales targets.

Why using a promotion mix important?

- Improves the effectiveness of promotional campaigns.
- Helps segment the audience.

- Improves communication with clients.
- Informs subscribers.
- Stands out from the crowd.

Improves the effectiveness of promotional campaigns: Promotion is a crucial part of any business, so companies develop a promotion mix, putting all efforts to make promotions at the right place, at the right time, and to the right audience. It helps one get the most out of their marketing resources by optimizing their budget and saving time.

Helps segment the audience: To develop a compelling promotion mix, a company needs to identify its target audience. Potential subscribers may include various groups of people who have something in common, for example, age, gender, preferences, etc., and they all require an individual approach. A promotion mix is a key method for delivering a relevant promotion message via the most suitable channel for each segment.

Improves communication with clients: Companies develop a promotion mix trying to speak their consumers' language. If prepared correctly, it helps build trust between the brand and its customers. This is a crucial factor in lead nurturing and customer retention. For example, automated email campaigns help achieve these goals by responding to people's actions instantly.

Informs subscribers: Some promotions, on Instagram for example, aim to show the product from the best angle, and others, like SMS, emphasize the advantages of local services. When using a promotion mix, companies define the best ways to educate people about the products and services they provide.

Stands out from the crowd: People are bombarded with all sorts of advertising at every turn. With a promotion mix, it is possible to stand out from the crowd without creating chaos in your customers' heads. Successful companies make quality prevail over quantity, promoting their product or service at the right place and right time.

Components of a Promotion Mix

- Advertising
- Direct selling
- Sales promotion
- Public relations

Advertising- This is a non-personal promotion of products and services. Marketers use advertising as a vital tool for increasing brand awareness. Advertisers show promotions to masses of people using email, webpages, banner ads, television, radio, etc.

Direct selling- This is a one-to-one communication between a sales representative and a potential customer. Direct selling influences people to decide to buy certain products or services. It is one of the most effective ways of promoting your brand because the sales rep can tailor the promotion precisely to those who are most likely to make a purchase. On the other hand, this is the most expensive form of sales because companies need to pay for one person's time.

Sales promotion- This is a set of short-term activities that are designed to encourage immediate purchase. Sales promotions are a campaign that uses time-sensitive offers — sales, discounts, coupons, etc., to engage existing consumers and bring in a larger audience. Many companies make this a core component of their marketing efforts, though sometimes it's the most annoying type of communication for people.

Public relations- This type of promotional method determines the way people treat the brand. Companies using PR try to build a firm and attractive brand image by planting interesting news stories about their activities in the media. Public relations are not fully controlled by the company, though, as some reviews and webpages may negatively highlight the brand. If a company adequately solves these issues, people will reward them with positive word-of-mouth consideration.

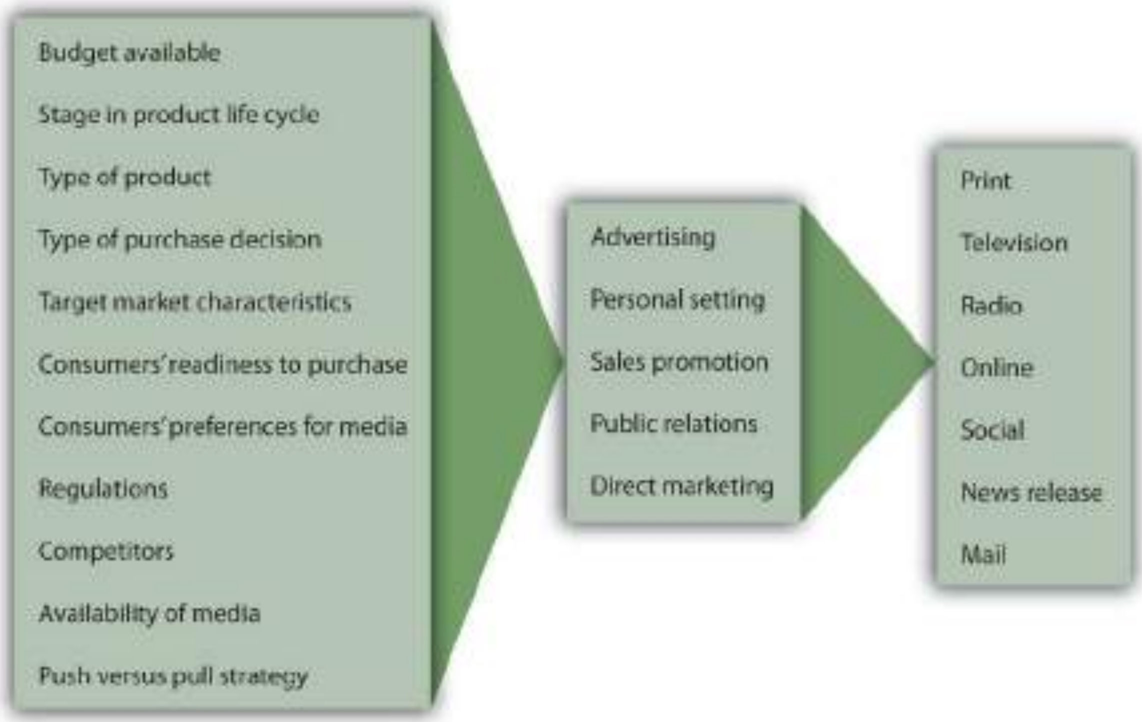
Promotion Mix Example

Let's take Nike's promotion mix as an example and learn how they use each of the promotion mix components.

1. Advertising. In advertising campaigns, Nike aims to reach large target audiences. The brand invites celebrities who represent the image of an ideal consumer. Potential customers associate themselves with famous ones, and this motivates them to trust the brand and communicate with it.
2. Personal selling. Nike's selling takes place in their stores. Trained store personnel assist consumers, provide details on the company's products and stimulate visitors to buy their products. Besides, Nike's employees help customers find the right Nike product and promote the company through the use of personalized services.
3. Sales promotion. Usually, Nike's sales promotions include special discounts for a targeted audience. The brand motivates their customers with the savings they can have when they buy discounted products. After that, they create a demand for purchasing more products using those bonuses, turning new customers into loyal clients.
4. Public relations. Nike developed a social responsibility strategy, in response to global ecological trends. Besides, Nike sponsors numerous sports events that build a better brand image in the eyes of their audience.

5. Direct marketing. Nike uses direct marketing to promote its products among sports organizations in universities, colleges, schools. Marketers call this lead nurturing.

Factors Influencing the choice of Promotion Mix



- **Budget Available.** For many companies, the budget available to market a product determines what elements of the promotion mix are utilized. The budget affects a promotion's reach (number of people exposed to the message) and frequency (how often people are exposed). For example, many smaller companies may lack the money to create and run commercials on top-rated television shows or during the Super Bowl. As a result, they may not get the exposure they need to be successful. Other firms such as McDonald's may come up with creative ways to reach different target markets. For example, McDonald's targeted college students with a special promotion that it filmed live in a Boston University lecture.
- **Stage in the product life cycle.** The stage in the product life cycle also affects the type and amount of promotion used. Products in the introductory stages typically need a lot more promotional dollars to create awareness in the marketplace. Consumers and businesses won't buy a product if they do not know about it. More communication is needed in the beginning of the product life cycle to build awareness and trial.
- **Type of product and type of purchase decision.** Different products also require different types of promotion. Very technical products and very expensive products (high involvement) often need professional selling, so the customer understands how the product operates and its different features. By contrast, advertising is often relied upon to sell convenience goods and products purchased routinely (low involvement) since customers

are familiar with the products and they spend relatively little time making purchase decisions.

- **Target market characteristics and consumers' readiness to purchase.** In order to select the best methods to reach different target markets, organizations need to know what types of media different targets use, how often they make purchases, where they make purchases, and what their readiness to purchase is as well as characteristics such as age, gender, and lifestyle. Some people are early adopters and want to try new things as soon as they are available, and other groups wait until products have been on the market for a while. Some consumers might not have the money to purchase different products, although they will need the product later. For example, are most college freshmen ready to purchase new cars?
- **Consumers' preferences for various media.** We've already explained that different types of consumers prefer different types of media. In terms of target markets, college-aged students may prefer online, cell phone, mobile marketing, and social media more than older consumers do. Media preferences have been researched extensively by academics, marketing research companies, and companies to find out how consumers want to be reached.
- **Regulations, competitors, and environmental factors.** Regulations can affect the type of promotion used. For example, laws in the United States prohibit tobacco products from being advertised on television. In some Asian countries, controversial products such as alcohol cannot be advertised during Golden (prime) time on television. The hope is that by advertising late at night, young children do not see the advertisements. The strength of the economy can have an impact as well. In a weak economy, some organizations use more sales promotions such as coupons to get consumers into their stores. The risk is that consumers may begin to expect coupons and not want to buy items without a special promotion.
- **Availability of media.** Organizations must also plan their promotions based on availability of media. The top-rated television shows and Super Bowl ad slots, for example, often sell out quickly. Magazines tend to have a longer lead time, so companies must plan far in advance for some magazines. By contrast, because of the number of radio stations and the nature of the medium, organizations can often place radio commercials the same day they want them to be aired. Social media and online media may be immediate, but users must be careful about what they post and their privacy. Uncontrollable events can affect a company's promotions, too. For example, when a disaster occurs, TV stations often cut advertisements to make way for continuous news coverage. If there is a crisis or disaster and your company is in the middle of a promotion being advertised on TV, you will likely have to scramble to reach consumers via another medium.

SOLUTION 7.

Philip Kotler, the father of modern marketing, has defined rural marketing as "the process of planning, executing, and promoting the distribution of agricultural inputs, produce, and rural products and services to create an exchange that satisfies individual and corporate objectives."

Importance of Rural Marketing

To gain more profits, every company has started diversifying its product categories. As India is an agricultural nation and most of the population stays in rural areas, rural marketing has become very important for all. Some of the points on the importance of rural marketing have been discussed below.

- The rural market depicts a vast potential for firms to expand their reach and raise their customer base.
- Rural consumers have unique needs and preferences, and catering to those needs can be a good opportunity for businesses.
- Rural marketing also aids in generating employment opportunities in rural areas, thereby helping rural development.
- The success of rural marketing can lead to the growth of the local economy, as it creates demand for goods and services and, in turn, enables small businesses to thrive.

Features of Rural Marketing

The nature of rural marketing has been discussed below.

- **Large and Diverse Market:** The rural market is vast and very diverse at the same time. The audience here is farmers, artisans, small business owners, and other rural consumers.
- **Low-Income Levels:** The rural consumers here have a lower income than the urban consumers, making them price-sensitive clients.
- **Limited Access to Information:** Rural consumers need more access to information, making it difficult to make informed purchasing decisions. This happens due to a need for more education and technology presence in these areas.
- **Unique Needs and Preferences:** Rural clients have unique needs and preferences, which firms need to fulfill accordingly.

Scope of Rural Marketing

The scope of rural marketing is vast, as rural areas account for a notable portion of the Indian economy. The following are some areas where rural marketing has significant scope, as stated below.

- **Agriculture:** Agriculture is the primary revenue-generating tool for the rural economy. Rural marketing has a notable scope in the agriculture sector. Rural consumers are involved in various agricultural actions like farming, animal husbandry, and fisheries. Businesses can cater to the needs of rural clients by giving them much-needed agricultural inputs like seeds, fertilizers, and machinery. Similarly, firms can market agricultural outputs like crops, fruits, and vegetables to rural consumers.
- **FMCG:** Fast-moving consumer goods (FMCG) have a wide scope in the rural market. Rural buyers have lower income levels than urban buyers. Also, they are very price sensitive. FMCG firms can create goods that cater to rural clients' unique needs and

preferences. For instance, firms like Hindustan Unilever and Nestle have created affordable and localized goods like Swasth Bharat soap and Maggi Masala-ae-Magic, mainly for rural buyers.

- **Healthcare:** Healthcare is a vital aspect of rural marketing. Rural consumers often lack access to proper healthcare facilities due to lesser accessibility. This makes them vulnerable to various diseases which are highly infectious. Companies can market affordable healthcare products like medicines, vaccines, and medical tools to rural users. Similarly, firms can promote health and hygiene cognition among rural buyers by educating them via campaigns and programs.
- **Education:** Education is another area where rural marketing has a very good scope. Rural areas often need more access to quality education facilities, making it difficult for pupils to acquire the necessary skills and knowledge. Firms can promote affordable education products like books, stationery, and technology to rural users. Similarly, firms can also give scholarships and other assistance to promote rural pupils and help them pursue higher education.

Factors Affecting Rural Marketing

Several factors can affect rural marketing, some of which have been discussed below.

- Infrastructure: The need for proper infrastructure, such as roads, electricity, and water supply, can make it difficult to market products and services in rural areas. Although this is being formed, it still has a long way to go.
- Income levels: The low-income levels in rural areas can limit the purchasing power of rural consumers. The income levels directly relate to the purchasing power of a person, and so the products should be priced according to the income of a person.
- Literacy levels: The low literacy levels in rural areas can make it difficult to market products and services that require a certain level of education. In this case, translators are hired by the firms to communicate better.
- Social and cultural factors: The social and cultural factors in rural areas can influence the buying behavior of rural consumers. They are the people who are believed to have a large impact on the buying decision of a person.

Challenges in Rural Marketing

Rural marketing, which involves marketing products and services to rural consumers and businesses, presents unique challenges due to the distinct characteristics and socio-economic conditions of rural areas. Some of the key challenges in rural marketing include:

Low Literacy Levels: Rural areas often have lower literacy rates compared to urban areas. This can affect communication and promotional strategies, as written materials may not be as effective.

Diverse Culture and Languages: Rural areas are culturally diverse, with various languages, traditions, and customs. Marketers need to adapt their messaging and products to local cultures and languages.

Limited Infrastructure: Rural areas may lack adequate transportation, roads, electricity, and communication infrastructure. This can impact the distribution of products and the reach of marketing campaigns.

Dispersed Population: Rural populations are often dispersed across vast geographical areas. Reaching these scattered consumers can be costly and logistically challenging.

Low-Income Levels: Rural consumers typically have lower income levels than their urban counterparts. Affordability is a significant concern when marketing products and services to this segment.

Seasonal Income: Many rural consumers rely on agriculture, which is seasonal. Income levels can vary significantly depending on crop yields and other factors affecting purchasing power.

Limited Access to Finance: Access to banking and financial services may be limited in rural areas. This can hinder rural consumers' ability to make large or credit-based purchases.

Lack of Awareness: Rural consumers may have limited awareness of product options, brands, and the latest technologies. Education and awareness-building efforts are essential.

Traditional Preferences: Rural consumers often have traditional preferences and may be resistant to new products or brands. Marketers need to understand and respect these preferences.

Distribution Challenges: The distribution network in rural areas can be challenging to establish and maintain. Poor road conditions and infrastructure can make it difficult to reach remote villages.

Healthcare and Hygiene Concerns: Health and hygiene are critical concerns in rural areas. Products related to healthcare and hygiene need to be marketed effectively, emphasizing their benefits.

Environmental Factors: Rural marketing efforts should consider environmental factors and sustainability, especially when promoting agricultural products and practices.

Government Policies: Government policies, subsidies, and regulations can have a significant impact on rural marketing. Marketers need to navigate these policies effectively.

Competitive Landscape: Competition in rural markets is increasing as more companies recognize the potential of these markets. Understanding and managing competition is crucial.

Communication Barriers: Limited access to mass media in rural areas can be a communication barrier. Marketers may need to rely on alternative media and communication channels.

Supply Chain Challenges: Maintaining a reliable supply chain in rural areas can be challenging due to infrastructure limitations and seasonality.

Companies are increasingly targeting rural markets for several reasons, as they recognize the untapped potential and unique opportunities these markets present:

- **Market Expansion:** Urban markets are often saturated, making it difficult for companies to find new customers. Rural areas offer untapped potential for market expansion, allowing companies to reach a new customer base and increase their market share.
- **Population Density:** Rural areas may have lower population density, but they often have a large population overall. By targeting rural markets, companies can tap into the sheer volume of consumers who may not have been reached by competitors.
- **Changing Consumer Behavior:** With improving infrastructure, increased connectivity, and rising disposable incomes in rural areas, consumer behavior is changing. Rural consumers are becoming more aware of products and brands, creating opportunities for companies to cater to their evolving needs and preferences.
- **Government Initiatives:** In some countries, governments are implementing policies and initiatives to promote rural development. This includes infrastructure development, financial inclusion, and other measures that create a conducive environment for businesses to thrive in rural areas.
- **Economic Growth:** Rural areas are experiencing economic growth, and there is a growing middle class in these regions. As people in rural areas have more disposable income, companies see a potential market for their products and services.
- **Diversification:** Targeting rural markets allows companies to diversify their customer base, reducing dependency on specific regions or demographics. This diversification can contribute to more stable revenue streams and business growth.
- **Unique Product Needs:** Rural consumers may have distinct needs and preferences compared to urban consumers. Companies can tailor their products and marketing strategies to meet these unique demands, creating a competitive advantage in rural markets.
- **Technology and Connectivity:** Improvements in technology and increased connectivity in rural areas enable companies to reach these markets more effectively. E-commerce, digital marketing, and online platforms provide avenues for companies to engage with rural consumers.
- **Long-Term Growth Potential:** Companies recognize that investing in rural markets is not just about short-term gains but also about securing long-term growth. As rural areas continue to develop, the potential for sustained business growth becomes more promising.

Overall, targeting rural markets is a strategic move for companies looking to expand their reach, diversify their customer base, and capitalize on the changing economic landscape in these areas.

SOLUTION 8.

Green marketing, also known as environmental marketing or eco-marketing, refers to promoting products, services, or brands that are environmentally friendly or positively impact the environment. It incorporates sustainable practices, eco-friendly materials, renewable energy sources, and socially responsible manufacturing processes into marketing strategies.

Green marketing aims to appeal to environmentally conscious consumers and meet their demand for environmentally friendly products or services. It can involve highlighting the product's eco-friendly features, showcasing its commitment to sustainability, or educating consumers about the environmental benefits of choosing certain products.

Green marketing emphasizes businesses' environmental and social responsibility while leveraging consumer interest in sustainability and environmental initiatives such as renewable waste management or sustainable agriculture practices to drive sales and build a positive brand image.

Benefits of Green Marketing

Green marketing offers several benefits for businesses. Some of the key benefits include:

1. Enhanced Brand Image and Reputation

Adopting green marketing practices can improve a company's brand image and reputation. It demonstrates a commitment to environmental responsibility, which resonates positively with environmentally conscious consumers. This can lead to increased customer loyalty, trust, and positive word-of-mouth.

2. Competitive Advantage

Green marketing can provide a competitive edge in the market. As sustainability becomes a growing concern among consumers, businesses promoting eco-friendly practices and products can differentiate themselves from competitors. This can attract environmentally conscious customers and potentially capture a larger market share.

3. Increased Customer Loyalty and Retention

Green marketing can foster stronger customer loyalty and retention. Consumers who prioritize sustainability are likelier to stay loyal to brands that align with their values. By demonstrating a commitment to the environment, businesses can forge deeper connections with their customers, leading to long-term relationships and repeat purchases.

4. Expansion of Customer Base

Green marketing can attract new customers seeking eco-friendly products or services. By positioning themselves as environmentally responsible, businesses can tap into a growing market segment and expand their customer base. This can lead to increased sales and business growth.

5. Cost Savings

Adopting sustainable practices can often result in cost savings for businesses. For example, implementing energy-efficient processes or utilizing renewable energy sources or recycled materials can reduce operational expenses. Green marketing can highlight these cost-saving measures, appealing to consumers who are not only environmentally conscious but also seeking value for their money.

3 P's of Green Marketing

Passion, Purpose, and Precision are three essential components, often referred to as the "Three Ps," that contribute to the success of green marketing. Here's how they relate to green marketing:

1. Passion

Passion refers to a business's genuine enthusiasm and commitment toward sustainability and environmental responsibility. It involves a deep-rooted belief in protecting the environment and a sincere desire to impact it positively. Passion drives businesses to actively seek and implement eco-friendly practices, develop sustainable products, and engage in green marketing efforts that align with their corporate social responsibility (CSR) strategies with authenticity and enthusiasm.

2. Purpose

Purpose represents the underlying mission and values that guide a business's green marketing initiatives. It involves clearly defining and articulating the purpose behind sustainable practices and how they align with the company's overall mission. Businesses with a strong sense of purpose in green marketing understand the larger societal and environmental issues they are addressing and actively work towards making a meaningful contribution to a more sustainable future.

3. Precision

Precision refers to the need for accuracy, transparency, and clarity in green marketing efforts. It involves precisely communicating environmental claims and messages, ensuring that accurate data and evidence support them. Precision also encompasses targeting specific audiences effectively and tailoring marketing messages to resonate with their environmental concerns and values. Precision helps businesses build trust, credibility, and long-term relationships with environmentally conscious consumers.

By incorporating passion, purpose, and precision into their green marketing strategies, businesses can create a powerful and authentic connection with environmentally conscious consumers, differentiate themselves from competitors, and drive positive environmental change.

Green Marketing Examples

There are many companies that understand the importance of green marketing and are taking the necessary steps toward that:

Patagonia

This clothing company has long been known for its commitment to sustainability. In addition to using eco-friendly materials in its products, the company also engages in various green marketing efforts to promote its commitment to sustainability. For example, it has launched campaigns that encourage customers to repair and reuse their clothing rather than buy new items.

The Body Shop

In addition to using natural and environmentally friendly ingredients in its products, The Body Shop also engages in a variety of green marketing initiatives. For example, it has launched campaigns to raise awareness about environmental issues such as climate change and wildlife conservation. The company also partners with various organizations to promote sustainability and social justice causes.

TRENDING TOOLS OF GREEN MARKETING

Green marketing involves promoting environmentally friendly products and practices. Several tools and strategies are trending in the field of green marketing as businesses and consumers become more environmentally conscious. Here are some trending tools of green marketing:

- **Sustainable Packaging:** Many companies are focusing on sustainable packaging solutions, such as using biodegradable materials, reducing packaging waste, and adopting minimalist packaging designs. This not only appeals to environmentally conscious consumers but also reduces the environmental impact of packaging.
- **Carbon Footprint Measurement:** Companies are increasingly measuring and disclosing their carbon footprints. This involves calculating and reporting the total greenhouse gas emissions associated with a product or company's operations. Brands are using this information to showcase their commitment to reducing environmental impact.
- **Certifications and Eco-Labels:** Certifications like Energy Star, Fair Trade, and various eco-labels help consumers identify products with environmentally friendly attributes. Companies are seeking these certifications to enhance their green credentials and build trust with environmentally conscious consumers.
- **Renewable Energy Sourcing:** Companies are investing in renewable energy sources, such as solar and wind power, to reduce their reliance on fossil fuels. Marketing strategies often highlight the use of clean energy to appeal to eco-conscious consumers.
- **Corporate Social Responsibility (CSR) Initiatives:** Companies are integrating environmental sustainability into their CSR initiatives. This includes supporting environmental causes, participating in tree planting programs, and contributing to projects that aim to address climate change and other environmental issues.
- **Green Advertising and Marketing Campaigns:** Businesses are creating marketing campaigns that emphasize the environmental benefits of their products or services. This may involve showcasing eco-friendly features, promoting energy efficiency, or highlighting the use of sustainable materials.
- **Educational Content:** Green marketing often involves educating consumers about the environmental impact of products and the benefits of making sustainable choices. Companies are creating content that informs consumers about the ecological footprint of their products and how they can make more environmentally friendly choices.
- **Circular Economy Practices:** Embracing a circular economy involves designing products that can be recycled, reused, or repurposed. Companies are adopting circular economy

practices and using them as part of their green marketing strategies to emphasize their commitment to reducing waste.

- **Green Technology Integration:** Incorporating green technologies into products is a growing trend. This includes developing energy-efficient appliances, electric vehicles, and other products that have a lower environmental impact. Marketing messages often highlight the technological innovations contributing to sustainability.
- **Consumer Engagement Through social media:** Social media platforms are powerful tools for engaging with consumers on environmental issues. Companies are using these platforms to share their sustainability initiatives, respond to consumer inquiries, and build a community of environmentally conscious consumers.

These tools collectively contribute to the growth of green marketing, reflecting a shift in consumer preferences toward more sustainable and eco-friendly choices. Businesses that align their practices with environmental values are likely to resonate with a growing segment of environmentally conscious consumers.

Mushkan.

Theoritcal Assignment - 1

Date 1.

Q1 Explain the concept of Business to Consumer (B2C) and Business to

Explain the concept of Business to Consumer (B2C) and Business to
Business (B2B) internet marketing. Provide examples of successful implementations.

Business to Consumer (B2C) and Business to Business (B2B) are two different models of internet marketing that target different audiences and have different strategies.

→ B2C marketing is when businesses sell products or services directly to individual consumers through the internet. B2C marketing focuses on quick solutions, enjoyable content and emotional appeals to persuade consumers to buy. B2C marketing also relies on efficient and user friendly websites that can handle high traffic and transactions.

Examples: Amazon, Netflix, Spotify and Uber.

→ B2B marketing is when businesses sell products or services to other businesses through the internet. B2B marketing focuses on building relationships, providing return on investments and solving problems for business customers. B2B marketing also relies on informative and educational content, such as white paper, webinars, case studies and testimonials.

Example: Salesforce, Hubspot, Slack and Dropbox.

Date 2

Advantages:-

→ They can reach a wider and global audience without geographical or time constraints.

→ They can reduce costs and increase efficiency by eliminating intermediaries and streamlining processes.

→ They can collect data and feedback from customers and measure the effectiveness of their marketing campaigns.

→ They can personalize their offerings and communication based on customer preferences and behaviour.

Challenges:-

→ They face high competition and low customer loyalty in a crowded and dynamic marketplace.

→ They have to deal with security, privacy and ethical issues related to online transactions and data protection.

→ They have to adapt to changing customer expectations and technological innovations.

→ They have to balance between automation and human interaction to provide a satisfying customer experience.

Good

Topic: Theoritical Assignment - 2 (3)

Date: ....

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Q. Explain the process of managing the online customer experience.

Managing the online customer experience is the process of designing, delivering and optimizing the interactions and engagement that customers have with a business through the internet. The goal of online customer experience management is to create positive, personalized and satisfying experiences that meet or exceed customer expectations and increase customer loyalty and retention.

Steps involved in managing the online customer experience:-

1. Understand your audience: The first step is to know who your customers are, what they need, want and value and how they behave online. You can use data analysis, market research, customer feedback and persona creation to segment your audience and tailor your offerings and communications to their preferences and behaviour.

2. Use a customer relationship management (CRM) tool: A CRM tool is a software that helps you collect, organize and analyze customer data across different channels and touchpoints. You can use a CRM tool to track customer interactions, manage leads and sales, provide customer service, send personalized messages and measure customer satisfaction.

3. Capture feedback and put it to work: Customer feedback is essential for improving your online customer experience. You can use surveys, reviews, ratings, social media comments, and other methods to gather feedback from your customers. You can also use tools like NPS (Net Promoter Score) or CSAT (Customer Satisfaction Score) to measure how likely your customers are to recommend your business or how satisfied they are with your service.

Teacher's Sign.

MAYUR

You should analyze the feedback and use it to identify areas of improvement and implement changes.

4. **Test Different marketing elements**: Testing is a way of experimenting with different elements of your online customer experience, such as website design, content, layout, navigation, images, colors, headlines, calls to action etc. You can use tools like A/B testing or multivariate testing to compare different versions of your website or landing pages and see which one performs better in terms of conversions, engagement or other metrics. Testing helps you optimize your online customer experience based on data driven decisions.

Good

Assignment

Class – B.Com (H) – II

Subject – Cost Accounting

Topic: Material Cost Control

Faculty Name: Ms. Juhi Ahuja

Attempt any four questions:

Q.1 AM Enterprises produces a product 'Red' using two components X and Y. Each unit of 'Red' requires 0.4 kg of X and 0.6 kg of Y. Weekly production varies from 350 units 450 units averaging 400 units. Delivery period for both the components is 1 to 3 weeks. The economic order quantity for X is 600 kg and for Y is 1000 kg. Calculate:

i) Re order level of X

ii) Maximum level of X

iii) Minimum level of Y

Q.2 From the following particulars, calculate the Economic Order Quantity (EOQ):

Annual requirements	1,600 units
Cost of materials per units	Rs. 40
Cost of placing and receiving one order:	Rs. 50
Annual carrying cost for inventory value	10%

Q.3 Ace Ltd. manufactures a product and the following particulars are collected for the year ended March, 2013:

Monthly demand (units)	250
Cost of placing an order (₹)	100
Annual carrying cost (₹ per unit)	15
Normal usage (units per week)	50
Minimum usage (units per week)	25
Maximum usage (units per week)	75
Re-order period (weeks)	4–6

You are required to calculate:

(i) Re-order quantity

(ii) Re-order level
(iii) Minimum level
(iv) Maximum level
(v) Average stock level.

Q.4 From the following information calculate the Economic Order Quantity:
Annual usage – 20,000 units
Cost of Materials (per unit) – Rs. 250
Cost of placing and receiving order – Rs. 2,000
Annual cost of carrying inventory (including interest) – 10% of cost

Q.5 Calculate Economic Order Quantity (EOQ) from the following:

Annual consumption	6,000 units
Cost of ordering	Rs. 60
Carrying costs	Rs. 2

Page No. 1
Date

Assignment - 1

Submitted To - Dr. Kirti

Submitted By - Pooja Pandey

Course - MBA(FM), 3rd Sem

Enrollment No. - 00212359521

Pooja Pandey
MBA(FM) 3rd Sem

Venture Capital
Assignment - 1

Investment Banking is type of banking that organizes large, complex financial transactions underwriting. These banks may ~~is~~ raise money for companies in a variety of ways, including underwriting the issuance of new securities for a corporations, municipality or other institutions. They may manage a corporation is IPO. They will provide advice in mergers acquistions and reorganizations.

Future of Investment Banking

Because of recently emerging stock market trends, existing pandemics and newly ~~co~~ expting outbreaks the future of investment banking is uncertain However it is assumed that competition from other industries and digitization won't pose a threat to his future.

The investment banking sector recently put on a solid performance and has recovered and it is anticipated that

Date : / /
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this will continue in the near future.

Some predictions or new trends that the sector is going to see in the coming future are :-

- Seamless flow of capital
- The emergence of unstressed liquidity
- Emerging technologies
- Newer consumer expectations.
- changing business models
- Higher returns.

Investment Banking Industry

As an industry, investment banking is split into three different tiers. bulge, bracket, middle market .and Boutique market.

① Buldge Market → This makes up the world's largest investment banks. In these banks clients are usually large corporations, institutions and govt. bulge market investment banks provide both advisory and financing services, conduct research and are

Date: / /
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involved in investing financial products

(2) Middle market ⇒ Middle market investment banks do just about the same that bulge brackets's do they just offer their services to smaller companies.

(3) Boutique Market ⇒ A boutique investment bank does not provide the same services as a bulge bracket or middle market establishment. Typically they specalise in roughtly one aspect of investment banking and offer that services to business that need that one thing.

Ans 2 Role of Merchant Banker

* Promoter - Identification of projects, obtaining govt. approval, raising fund etc.

* Corporate advisor - financial planning, tax planning etc.

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- Financial and Investment expert - Working capital requirement, financial requirement etc.

- Rehabilitator - at the time of merger, acquistion etc.

Role of Merchant Bankers in Issue Management

The management of public issue of securities is core of merchant banking

(i) Pree - Issue activities

(ii) Post - Issue activities

(iii) Issue Marketing

(i) Pre - Issue Activities
- Documents to be submitted
- Appointment of intermediaries
- Underwriting
- offer documents to be made public
- appointment of compliance officer
- Mandatory collection centeres
- Finanical offer documents

- Application forms
- Minimum application amount
- ~~app~~ listing of securities
- Period of subscription
- Over subscription

(ii) Post - Issue Activities

- Redressal of Investor grivances
- Co-ordination with intermediaries
- Stock Invest
- Under writers
- Bankers to an issue
- Post issue advertisements
- Basic of allotment
- Compliance with guidelines on advertisement

(iii) Issue Marketing

The merchant bankers has to undertake the marketing of issues. The ultimate aim of issue marketing is to persuade the investors to subscribe the issue made by the company merchant banker advices client to go for:

Date: / /
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(a) fresh issue

(b) bonus issue

(c) additional issue

(d) right issue

Page No.
Date

Assignment - 2

Submitted To: Dr. Kirti

Submitted By: Pooja Pandey

Course: MBA(FM), 3rd Sem

Enrollment No.: 00212359521

Mutual Funds

A mutual fund is a financial vehicle that pools assets from shareholders to invest in securities like stocks, bounds, money market instruments and other assets. Mutual funds are operated by professional money managers, who allocated the funds assets and attempts to produce capital gains or income for the fund's investors. A mutual fund's portfolio is structured and maintained to much the investments objectives stated in its prospectus.

Hedge Funds

A Hedge funds is a limited partnership of private investors who money is manage by professional fund manager who use a wide range of strategies, including leveraging or trading of non-traditional assets, to earn above-average investment is after considered a risky alternative investment choice and usually requires a high minimum investment or not worth, often targeting wealthy clients.

Underwriting

Underwriting is the process through which an individual or institution takes on financial risk for a fee. This risk most typically involves loans, insurance or investments. The term underwriter originated from the pratice of having each risk-taker write their name under the total amount of risk they were willing to accept for a specified perimum.
Although the mechanics have changed over time, underwritting continues today as a key function in the financial world.

IPO (Intial Public offering)

An Initial public offering (IPO) refers to the process of offering shares of a privates corporation to the public in a new stock issuance for the first time. An IPO allows a company to raise equity capital from public investors.
The transition from private to a public company can be an important time for private investors to fully realize gains from their investment is it typically includes a share premium for current private investors.

Dark Side of Investment Banking

⇒ Fluctuating Fortunes: Investment Banking is a endless party to be only a very few people. To others, its a roller-coaster ride at best. An enhilarating high is almost always followed by a sleep fall as each deal or transaction depends on a number of factors, many of them external.

⇒ Salary: To those aspring for finance jobs, compensation is the main attration that investment banking holds. But salaries in the Investment banking see many ups and downs in time with the crests and troughts of banks' business. Instability and insecurity are what recruits sign up for: companies do a lot of hiring in the boom time and shed staff during the lean season.

⇒ Sustainability: Getting into IB is tough, but sustaining yourself at the workplace is tougher. You may be smart, may interviewwell, and get hired. But once on the job, you may find out that you are no magician and can't do everything well and always come up to the expectations of your organization.

⇒ Repetitive tasks: Junior analysts at banks start out looking for challenging tasks such as complex analyses. But six or eight months down the road they may realize that they are only doing the same tasks over and over again. Often, it is just the name of the client company that changes. Then there comes a time when they stop hoing to learn anything new on the job.

⇒ Colleagues: Generally, in IB, you are likely to be surrounded by a sea of overachievers who seem to be driven by some preternatural, money-minded force. That's good, expect that some of these people also have big egos, and are selfish and hard to get along with, as many disgruntled investment bankers confess and complain anonymously on online forums.

⇒ Culture: Because of the go-getters and Type-A personalities all around, the IB environment doesn't the get to develop a nurturing culture. No one has time on train or counsel you. You better be a self-starter and learn by yourself.

⇒ Work-life Balance: That most i-bankers struggle to achieve a decent work-life balance is hardly a secret. Weekend plans regularly get cancelled, and live.

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projects might come one after another and prevent you from doing any re-planing. Longer vacations may remain a distant dream. So also finding "quality time" or any time for you life partner.

⇒ Image: One banker says that the bed impression about investment bankers that society has formed based on scandals is well-deserved. Investment banks were originally established to extend loans to enterpreneurs who had great ideas but didn't have the money to bring them to life. It was thought that banks would also help society by helping businessman and the economy thrive.

Assignment - 3

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Portfolio Management

Portfolio management refers to managing an individual's investment in the form of bonds, shares, cash, mutual fund etc so that he earns the maximum profits within the stipulated time frame.

Protfolio management to managing money of an individual under the expert guidance of portfolio managers.

Need for Portfolio Management

→ Portfolio management presents the best investment plan to the individuals as per their income budget, age and ability to undertake risks.

→ Portfolio management minimizes the risks involved in investing and also increases the chance of making profits.

→ Portfolio managers understand the clients financial assets and suggest the best unique investment policy for them with min risks involved.

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Objectives of Portfolio management

① Capital Appreciation

The primary objective behind managing the portfolio is to enjoy capital appreciation. Therefore, the principal amount invested should grow into a corpus at a higher rate than inflation.

② Frequency of Income generation

Some investor prefer regular income that can be enjoyed through dividends, while others may prefer receiving a large maturity corpus.

③ Tax Planning

Earning a good return but not being able to use or maintain it due to poor tax planning is disappointing. Different assets are taxed differently.

④ Liquidity

Well-planned portfolio management helps to give an investor immediate access to their funds for an emergency or an expose.

⑤ Safety of Investment
Another crucial objective is that portfolio constructed should match the investor's risk portfolio. Therefore funds should the be allocated to minimize the risk and maximize the returns.

Types of Portfolio Management

① Active Portfolio Management
In this, the portfolio managers are actively involved in buying and selling of securities to ensure maximum profits to individuals.

② Passive Portfolio Management
In this, the portfolio managers deal with a fixed portfolio designed to match the current market scenario.

③ Discretionary portfolio Management services
In this, an individual authorities a portfolio managers to take care of financial needs on this behalf. The individual issues money to the portfolio managers who in turn takes care of all investment needs paper work documentation.

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(4) Non Discretionary Portfolio Management services
In this the portfolio manger can merely advices the client what is good and bad for him but the client reserver full right to take his own decisions.

Case Study

redBus: Smoothening the Rough Ride of Bus Travellers

The use of internet services for providing value addition online advance booking services to bus travellers of South-Western India

redBus customer service advantage:

- Home delivery service of bus tickets in major cities
- Book online using credit, debit cards, and net banking
- Book bus tickets online, over the phone or over the mobile
- Book bus tickets online with over 500 bus travel operators
- Book bus tickets online for over 5000+ routes across India
- Return bus tickets reservation
- Read bus reviews submitted by passengers

Bus travelling has been a not very comfortable journey in India for travellers across the country as the business of passenger road transport has for very long time been managed by the state owned state road transport corporations. The state road transport corporations which have always been running into losses due to the bureaucratic attitude of its employees and managers have never been managed as the good and efficient service providers. The travelling customers' convenience and facility have always been the last priority.

In many states these state run road transport corporations have been either discontinued or their interstate and intrastate bus services and bus routes have been outsourced to outside agencies. Some of these state run transports provide incomplete information to its customers through the timetable details provided on the bus stations from where these buses operate, but in majority of the cases the passengers do not get any information from any source about the schedule and time tables of the bus operations from one destination to another. It is difficult for a passenger to plan his journey in advance as the state run transports do not provide a very well-managed advance booking system. Even where some good public transport organisations provide online booking systems, their telephone and internet lines generally do not function smoothly.

Phanindra Sama a distinction holder from Birla Institute of Technology and Science (BITS), Pilani had to visit his family in Hyderabad. He opted to take a bus. Soon he realised that it was not an easy task. He could not get a ticket to any bus operating from Bangalore to Hyderabad. He also noticed that as a passenger he could not get information on the buses operating, their schedules and about the fair and other details from any organised and authentic source. There was a complete lack of basic information such as bus departure and arrival schedules, stops on the way and even details of state transports or commercial bus operators whose buses plied between Bangalore and Hyderabad. Phanindra Sama could not leave for Hyderabad that evening.

Phani Saminndra came up with an idea about the business opportunity in providing the much needed value addition service to the travelling public. He knew that travellers from the town of Bangalore will welcome the convenience of booking a bus ticket over the internet without having to leave their offices or homes. He invited two of his other friends from Pilani and they started Pilani Soft Labs Pvt. Ltd, the company behind bus ticketing service redBus, in 2006, initially as a non-profit organisation.

'We thought there has to be a technology or software to automate all this. We also realised that it has to be given by a third party as for customers value lies in aggregation of all bus operators,' said Sama, who does not drive a car and commutes by bus.

Technology Harnessed for Customer Convenience

redBUS is India's first organised bus ticket booking service. It is also the biggest aggregator of bus tickets in the country, selling 4,000 tickets in a day. redBUS' business proposal is simple—the company can book your bus tickets online. Once you log onto the Web site, you can choose tickets in 15 states, across 4,000 routes, through a network of 500 bus operators, in one click. The service allows passengers to choose their seats as well as book return tickets.

redBus provides an integrated platform for bus operators, so when a customer looks for a ticket, the operator's interface is also searched. Currently, 14 bus operators have direct integration with redBus' system and pay the company a fee either annually or on the basis of the number of buses they run. For 10 buses, they pay Rs 30, 000-Rs 40, 000 as a one-time fee.

Working on the system of advance booking, RedBus blocks 10–15 seats in all buses for itself and partners such as Makemytrip.com, the travel portal, until an hour before departure time.

Offering the Customer Convenience on the Move

redBus has moved beyond providing value over the internet by reaching out to customers using all media that provide them convenience—be it the phone, home delivery, physical outlets or even SMS .The company makes its money from the commission it earns on each ticket. Expanding its reach, redBus also sells tickets at post offices.

redBus is now all set to become the country's largest bus service aggregator. It is coming up with an online graph on time deviation for every bus service. 'The idea is to display a lot more information than available seats and prices. We are also ranking the bus services on the basis of behaviour of the staff, punctuality and quality of buses,' said Sama.

Providing Charter Bus-booking Online—The Value Addition for Group Travellers

In October, the firm launched an online charter bus service under which buses can be booked for weddings, corporate outings and sightseeing. 'The response has been very positive on this,' said Sama.

Interactive customer support: redBUS regularly solicits feedback from its customers. This helps the company understand the customer expectations. It doesn't stop at that. The management ensures that the same mistakes are not repeated. People are encouraged to speak their minds and they don't fear sharing their mistakes, so that everyone can benefit from the learning, no matter how small.

The firm is coming up with a product on analytics for customer behaviour that would indicate factors such as customers' preference for seats, stops and mode of transaction. It is also looking at forming an association of bus operators with redBus as a business partner, to increase their bargaining power, particularly when they go to negotiate with banks and bus makers. The Indian bus travel market is estimated to be worth an annual Rs 12, 000 crore, with 30 major bus operators dominating it. The business of companies such as redBus depends heavily on building credibility and trust with bus operators.

Sources

The case study has been adapted from the following sources:

1. http://www.redbus.in/
2. Dhanyakumar, 'Smooth journey so far', *Business World*, 30th March, 2009

Exercise Questions

1. Do you think introduction of online booking by redBUS adds to customer convenience and has the company been able to read customer expectations correctly?
2. In which way do you think has the company been able to provide a service different from the state run road transport booking offices?

Activity

Visit the Web site of another bus or rail booking agency' find out the services offered by them. Find out how they are able to meet the service expectations of their customers.

CASE STUDY ON COCA COLA

'THANDA' GOES RURAL

In early 2002, Coca-Cola India (CCI) (Refer Exhibit I for information about CCI) launched a new advertisement campaign featuring leading bollywood actor – Aamir Khan. The advertisement with the tag line – 'Thanda Matlab Coca-Cola4 ' was targeted at rural and semi-urban consumers. According to company sources, the idea was to position Coca-Cola as a generic brand for cold drinks. The campaign was launched to support CCI's rural marketing initiatives. CCI began focusing on the rural market in the early 2000s in order to increase volumes. This decision was not surprising, given the huge size of the untapped rural market in India (Refer Exhibit II to learn about the rural market in India). With flat sales in the urban areas, it was clear that CCI would have to shift its focus to the rural market. Nantoo Banerjee, spokeswoman – CCI, said, "The real market in India is in the rural areas. If you can crack it, there is tremendous potential."5 However, the poor rural infrastructure and consumption habits that are very different from those of urban people were two major obstacles to cracking the rural market for CCI. Because of the erratic power supply most grocers in rural areas did not stock cold drinks. Also, people in rural areas had a preference for traditional cold beverages such as 'lassi'6 and lemon juice. Further, the price of the beverage was also a major factor for the rural consumer. CCI'S RURAL MARKETING STRATEGY CCI's rural marketing strategy was based on three A's – Availability, Affordability and Acceptability. The first 'A' – Availability emphasized on the availability of the product to the customer; the second 'A' - Affordability focused on product pricing, and third 'A'- Acceptability focused on convincing the customer to buy the product.

Availability

Once CCI entered the rural market, it focused on strengthening its distribution network there. It realized that the centralized distribution system used by the company in the urban areas would not be suitable for rural areas. In the centralized distribution system, the product was transported directly from the bottling plants to retailers (Refer Figure I). However, CCI realized that this distribution system would not work in rural markets, as taking stock directly from bottling plants to retail stores would be very costly due to the long distances to be covered. The company instead opted for a hub and spoke distribution system

Under the hub and spoke distribution system, stock was transported from the bottling plants to hubs and then from hubs, the stock was transported to spokes which were situated in small towns. These spokes fed the retailers catering to the demand in rural areas. CCI not only changed its distribution model, it also changed the type of vehicles used for transportation. The company used large trucks for transporting stock from bottling plants to hubs and medium commercial vehicles transported the stock from the hubs to spokes. For transporting stock from spokes to village retailers the company utilized auto rickshaws and cycles.

In late 2002, CCI made an additional investment of Rs 7 million (Rs 5 million from the company and Rs 2 million from the company's bottlers) to meet rural demand. By March 2003, the company had added 25 production lines and doubled its glass and PET bottle capacity8 . Further it also distributed around 2,00,000 refrigerators to its rural retailers. It also purchased 5,000 new trucks and auto rickshaws for boosting its rural distribution.

Affordability

A survey conducted by CCI in 2001 revealed that 300 ml bottles were not popular with rural and semi-urban residents where two persons often shared a 300 ml bottle. It was also found that the price of Rs10/- per bottle was considered too high by rural consumers. For these reasons, CCI decided to make some changes in the size of its bottles and pricing to win over consumers in the rural market. In 2002, CCI launched 200 ml bottles (Chota Coke)9 priced at Rs 5. CCI announced that it would push the 200 ml bottles more in rural areas, as the rural market was very price-sensitive. It was widely felt that the 200 ml bottles priced at Rs. 5 would increase the rate of consumption in rural India. Reports put the annual per capita consumption of bottled beverages in rural areas at one bottle as compared to 6 bottles in urban areas. The 200 ml bottles priced at Rs. 5 would also make CCI competitive against local brands in the unorganized sector. It was reported that in the states of Rajasthan and Gujarat the local cola brands such as Choice and Tikli cost only half the price offered by CCI, which gave them the advantage in garnering the major market share before CCI came out with Chota Coke.

Acceptability

The initiatives of CCI in distribution and pricing were supported by extensive marketing in the mass media as well as through outdoor advertising. The company put up hoardings in villages and painted the name Coca Cola on the compounds of the residences in the villages. Further, CCI also participated in the weekly mandies10 by setting up temporary retail outlets, and also took part in the annual haats11 and fairs - major sources of business activity and entertainment in rural India. CCI also launched television commercials (TVCs) targeted at rural consumers. In order to reach more rural consumers, CCI increased its ad-spend on Doordarshan.12 The company ensured that all its rural marketing initiatives were well-supported by TVCs. When CCI launched Chota Coke in2002 priced at Rs. 5, it bought out a commercial featuring Bollywood actor Aamir Khan to communicate the message of the price cut and the launch of 200 ml bottles to the rural consumers. The commercial was shot in a rural setting

Between March and September 2003, CCI launched three commercials with the 'Thanda Matlab Coca-Cola' tag line. All the three commercials aimed to make rural and semi-urban consumers connect with Coca-cola. The first ad featured Aamir Khan as a 'tapori' (street smart); in the ad he makes the association between Coca-Cola and the word 'Thanda.' The second commercial in the series featured Aamir Khan as a 'Hyderabadi shop-keeper'; here again he equates the word 'Thanda' with Coca-Cola.

The third commercial featured Aamir Khan as a 'Punjabi farmer' who offers Coca Cola to ladies asking for Thanda.

FUTURE PROSPECTS

CCI claimed all its marketing initiatives were very successful, and as a result, its rural penetration increased from 9% in 2001 to 25% in 2003. CCI also said that volumes from rural markets had increased to 35% in 2003. The company said that it would focus on adding more villages to its distribution network. For the year 2003, CCI had a target of reaching 0.1 million more villages. Analysts pointed out that stiff competition from archrival PepsiCo would make it increasingly difficult for CCI to garner more market share. PepsiCo too had started focusing on the rural market, due to the flat volumes in urban areas. Like CCI, PepsiCo too launched 200 ml bottles priced at Rs. 5. Going one step ahead, PepsiCo slashed the price of its 300 ml bottles to Rs 6/- to boost volumes in urban areas. In early 2003, CCI announced that it was dropping plans to venture into other beverage businesses. Company sources said that increasing volumes of cola drinks had made the company rethink its plans of launching juice and milk-based beverages. In 2002, CCI had announced plans to launch beverages such as nimbu paani (lemon juice), fruit juice, cold coffee, and iced tea in collaboration with Nestle India.14 Though CCI was upbeat on account of its early success in its drive to capture the rural market, the question was whether the company would be able to take this success further.

Q1. Why Coca-Cola decides to market in rural areas?

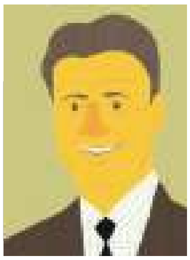
Q2. Which 4a's of rural marketing are adopted by Coca-Cola for targeting rural markets?

Case Study

Brian J. Hall is the Albert H. Gordon Professor of Business Administration and **Andrew Wasynczuk** is a senior lecturer at Harvard Business School.

No one gets a low score on this company's performance reviews. Is there a better system for evaluating employees? *by Brian J. Hall and Andrew Wasynczuk*

The Experts



John Berisford is the executive vice president of human resources for The McGraw-Hill Companies and a former senior VP of HR at Pepsi Beverages.

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ILLUSTRATION: CLAYTON JUNIOR

HBR's fictionalized case studies present dilemmas faced by leaders in real companies and offer solutions from experts. This one is based on the HBS Case Study "Compensation and Performance Evaluation at Arrow Electronics" (case no. 800290), by Brian J. Hall and Carleen Madigan. It is available at **hbr.org**.

The Gentleman's "Three"

Between the inner and outer doors of Circale Corporation's headquarters building, human resources VP Nils Ekdahl crossed paths with CFO Anita Fierst as he was leaving for lunch. "We need to make those cuts we talked about," Fierst said briskly. She clearly wasn't up for chitchat about her recent trip to Asia. "I was looking at our org chart on the plane last night," she continued. "After those two new acquisitions, the duplication across departments is untenable. We need to start achieving synergies right away."

She paused while a group of employees passed, nodding hellos to both executives. Then she said, "I know Hal feels strongly about it."

It always irked Ekdahl when she spoke for the CEO like that.

"He wants $20 million cut from the payroll in the next four months," Fierst said.

"Working on it," Ekdahl replied. "But as you know, it's not just about the numbers. It's also about making sure we have the right people in the right positions."

"It *is* about the numbers," she said. "I know in your department you like to take your time to get everything just right." It was an unwarranted dig at both Ekdahl and his predecessor, Michael Milanese, who happened to be waiting for Ekdahl at their usual lunch spot in town. "But with all this duplication, you don't have the luxury of identifying the perfect individual for every position."

A few more employees passed by.

"Anyway," she said. "More later."

Within 10 minutes, Ekdahl was recounting the exchange over soup and salad.

"Don't let her get to you," Milanese said. His resentment toward Fierst was obviously abating six months after CEO Hal Taylor, at her urging, had pressured Milanese to retire. "It's your show now, Nils. Stay the course. Fight the good fight. You know as well as I do that Circale's future depends on it."

Ekdahl was touched that his former boss still cared about the company, despite how he had been treated. Perhaps Milanese, long divorced and in sporadic contact with his grown children, didn't have much left in his personal life. Or maybe it was that the retired executive had some unfinished business.

Fighting Grade Inflation

Michael Milanese had been the chief architect of a new performance-review system that Ekdahl was about to implement across all six of Circale's global locations. It had been designed to ensure the objectivity of decisions about postmerger personnel cuts. The stated goal: Place the best person in every position.

Milanese had become obsessed with the importance of objective evaluations. He had convinced the CEO that it would be wrong to pare away employees from the acquired companies and retain just the veterans of the "old" Circale as the company expanded globally. That's what had been done after previous acquisitions, with some disastrous results: A few years back the incompetent country head for Germany, a good-old Circale guy, had mishandled a scandal involving company officials who were accepting personal favors from vendors, and the recently appointed head for Brazil, a 20-year veteran, had so tyrannized his new employees that he had to be dismissed.

An analysis of those executives' HR files showed, amazingly, that they had received powder-puff performance reviews for years—as had the entire workforce, for that matter. Grade inflation was so prevalent at Circale that decades' worth of reviews were essentially useless for identifying miscreants, singling out high potentials, or any other purpose.

So the CEO had given the HR department the green light to create a new system that would force managers to be brutally honest. Milanese had begun visiting other companies, gathering information, and studying best practices in the area of performance review. Eventually he made Ekdahl coleader of the initiative. Together they struggled to develop a system by which each of Circale's more than 3,000 nonsales employees would be explicitly compared with colleagues (salespeople continued to be evaluated on their sales numbers). When the project dragged on, Fierst was able to convince the CEO that Milanese was ineffective and should be "encouraged" to retire.

The CFO was right: Milanese was indeed a perfectionist. But that had helped Ekdahl. After being promoted to VP, he easily wrapped up the project, creating a fairly simple form for managers to fill out. On each of seven performance dimensions, ranging from "delivers results" to "builds internal goodwill," managers were asked to rate employees on a five-point scale: "Significantly below others" was a 1, "somewhat below others" a 2, and so on up to "significantly above others," a 5.

> The executives had received powder-puff performance reviews for years.

With the year-end-review season just a few weeks away, implementation was imminent.

Everyone Is Above Average

Alone in his office, Ekdahl paged through the screens of performance-review results: 4, 5, 5, 5, 4, 4, 5, 5, 5, 4, 5, 4, 4, 5.

"Didn't *anyone* get a 2?" he wondered aloud. Not only were there no 2s or 1s, but 3s were scarce. The average score, calculated automatically, was 4.6. He called Milanese.

"This is a disaster," Ekdahl said. "We told every manager to look hard at each employee and be completely objective. Not one of them gave a bad score."

"Are all the results in?" Milanese asked. "Is there a bug in the system?"

"No, Michael," Ekdahl said with frustration. "But even the best-designed system can't force people to be honest without an incentive. I've just generated an entire database of results I can't use. I have to be straight about that with Hal—and Anita." He looked at his watch. He was due to meet with Fierst in a few minutes.

"The employees haven't seen the results, right?" Milanese asked.

"Of course not," Ekdahl said.

"So you have to make the managers do it again." He sounded almost in a panic. "Hal wants to cut $20 million from the payroll, and he now understands that personnel decisions need to be made objectively. He'll want the cuts to be data-driven."

"I can't order the managers to do another set of reviews right away," Ekdahl said. "They've spent a lot of time on these. Besides, we don't have any way to get better results. We need to figure out what went wrong."

"Nils, be smart," Milanese said. "Look at what happened to me. If you take time to analyze everything, you'll seem like a procrastinator. You just need to get managers to feel comfortable issuing 1s and 2s. Help them see that awarding everyone a 4 or a 5 on all dimensions of performance is nonsensical. It's not logically possible for all employees to be significantly above their peers. That's fantasyland. You can correct this problem by holding training sessions, which should be easy to set up."

Sure. Ekdahl imagined just how easy those sessions would be to arrange as he headed to Fierst's office to share the numbers, which he had promised to do.

Evaluation Redux

Ekdahl gave Fierst a quick summary. She paused and said smugly, "Performance reviews have very limited usefulness. Managers don't like to be honest. The best way to evaluate an employee is to look at his unit's P&L. If there's no relevant P&L, you're pretty much flying blind."

"I'm going to have the managers repeat the reviews," Ekdahl said.

She looked shocked, almost personally offended. "When will they find the time for *that*?"

"They'll make time," Ekdahl said.

"Don't they have real work to do?"

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"This *is* their real work," he said. "Performance reviews are critical. And they're not just for doing layoffs and promotions the right way—you know that. Well-executed evaluations give a company the data it requires to develop talent. Employees need to know what they're doing well and what they're doing poorly so that they can improve. In my first review here, Michael gave me a 2. It was on flexibility—willingness to take advice and try new approaches. I treated it as a challenge. The next year, I got a 4. Effective reviews are essential to management."

Fierst glared at him. She didn't take well to being lectured. "All right, let's say you force the managers to give employees lower marks. Will those numbers have any meaning? People will just manufacture low grades for employees they don't like and fudge the rest. Nils, sometimes when you have to make cuts, you just have to make cuts. You design an algorithm and you go through the list. It's painful but quick."

"I won't do that, Anita. I'm going to get useful results out of these performance reviews. And if the managers can't deliver good data this time, I'll make them do it again and again, until they get it right."

He walked out of Fierst's office and strode through the executive corridor until he came to an interior-facing window. It looked down on a set of conveyors staffed by workers wearing white from head to toe. Packages of meticulously constructed electronics components were gliding past them, heading out into the unforgiving world, where customers would be all too eager to make known any displeasure with Circale's products. Only here in this sterile cocoon was practically every employee's performance deemed to be perfect or damn near perfect. Ekdahl was so disgusted he could spit.

He would start organizing the training sessions immediately. And he would personally appear in a video in which he explained to managers that they must give every employee a 2 or a 1 on at least one performance dimension and that the average score across their direct reports must be a 3. After all, getting that 2 had worked for him.

Now Everyone Is Average

As soon as the managers' completion deadline had passed, Ekdahl went over the data in his office. It was 6:30 PM on a Wednesday. Employees were streaming out of the buildings as he stared at the screens: 3, 3, 3, 2.

"Finally!" he said to himself. He scrolled through another form: 4, 3, 3, 3, 3, 2, 3. "Good. Very good." The more he looked, though, the clearer it became that there were an awful lot of 3s. An avalanche of them. His heart sank as he continued to click through pages.

As if on cue, Fierst poked her head in. "How are the new numbers?" she asked.

"Honestly," Ekdahl said with resignation, "there are lots of 3s. Not much variation in the data, at least at a first glance."

"I'm not surprised," Fierst said. She wasn't quite gloating, but Ekdahl could detect a hint of 'I told you so' in her voice. "Have you ever heard of grade compression? People give almost everyone the same grade, and distinctions become impossible to make. It happens when scores are inflated and cluster at the top, but it can also occur in the middle. All you did was move the average."

Indeed, within a couple of days, the HR department's analysis had revealed few deviations from 3 companywide. Moreover, managers seemed to have given high marks to people who were up for promotion anyway and low ratings to employees they didn't know well. In one case, a manager gave someone all 1s. The employee, it turned out, had recently died.

Ekdahl wondered whether he really ought to follow through with his vow to make managers keep doing performance reviews until they got them right. Was it simply time to admit defeat and start recommending arbitrary cuts?

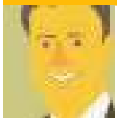
Q Should Ekdahl order another round of reviews or make do with the data he has?

See commentaries on the next page.

"Nope, our financial report doesn't look any better in 3D."

CARTOON: RANDY GLASBERGEN

The Experts Respond



John Berisford is the executive vice president of human resources for The McGraw-Hill Companies and a former senior VP of HR at Pepsi Beverages.

GRADE INFLATION and compression like what Nils Ekdahl encounters are consequences of managers' losing sight of what really matters. Too often, leaders emphasize the process of ranking performance and attaining specific scores. In doing so, they forget the most important outcomes: improved organizational performance and personal growth. To more effectively deploy and develop people, organizations should make three key changes to the way they approach talent appraisals.

First, managers should pay greater attention to having meaningful conversations with their people. High-quality exchanges between managers and employees almost always yield insights for both parties and lead to professional development. Such conversations should focus on the outcome of providing crystal-clear, honest feedback while keeping the employee's well-being in mind.

Of course, no one likes to get a low score or to have an uncomfortable conversation about performance. Yet people can be deployed effectively only if managers are willing to be completely honest about their direct reports' weaknesses, not just their strengths. Once, after what I thought was a very successful year in a new job, I received a performance rating that was a click lower than I thought I deserved. It was upsetting, but if you have the right mindset, you can always learn from a negative evaluation, even one you don't agree with. Again, what matters is the quality of the conversation that the evaluation prompts. You have to listen and then try to see yourself objectively. Over the years, my performance appraisals have helped me grow, understand what was important, and perform at a higher level.

What matters is the quality of the conversation that the evaluation prompts.

Second, leaders need to teach managers to think differently about talent evaluations. Rather than viewing appraisals as a chore or a compliance exercise, perceive them as a chance to shape a developing talent. That perspective may sound high-minded, but when your focus is on engaging in dialogue that helps a person achieve her goals, it is actually a sensible and practical approach.

Third, leaders should reward managers who have the most constructive conversations about performance. Supervisors who are getting the most out of their employees can be recognized financially, although that's not the only way. Recognition can instead be highly visible, such as receiving an expanded role or being asked to serve as a mentor. By rewarding success, you give others an incentive to follow the example of those who earned the honors.

So Ekdahl should keep trying to get good results from performance appraisals while following those three basic principles. If leaders consider performance-review outcomes more important than the process, they will have more-meaningful, transparent conversations with employees and thereby generate the data that are needed to make objective personnel decisions. That would be true at Circale Corporation and at any company that seeks to raise the bar on performance and to position its people for further growth and success.

WHAT WOULD YOU DO?
SOME ADVICE FROM THE HBR.ORG COMMUNITY

EKDAHL SHOULD do another round of reviews. But first he must communicate to managers that they are accountable for their teams' performance, which should be tied to their compensation. He might also require managers to justify each rating they give.
Matt Walker,
senior research manager,
Lieberman Research Worldwide

IF EKDAHL does order another round of reviews, the evaluation form should be different from the first two. If I were a manager at this company, I would be very annoyed to fill out the same thing a third time for each employee.
Ana Valladares-Gálvez,
policy communications consultant, Epocca Presence Solutions (Honduras)

INSTEAD OF running a performance-review process 20 times, it would be more efficient to quantify the head-count mix (managers, rank-and-file employees, and so on) so that it aligns with synergies identified in the M&A project.
Gabriel Dichiera,
senior demand planner,
North America, Unilever

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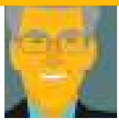

Stephen P. Kaufman is a senior lecturer at Harvard Business School and a retired chairman and CEO of Arrow Electronics.

EKDAHL SHOULD take his cue from Anita Fierst: Sometimes you just have to make arbitrary cuts. But don't get me wrong. I believe, as Michael Milanese and CEO Hal Taylor do, that using performance-evaluation data to put—and, if appropriate, keep—the right people in the right positions is the smart approach after an acquisition. Once the new performance-review system is up, running, and accepted, it will provide the right basis for the cuts.

However, I differ with Milanese and Taylor about using the not-yet-accepted system to guide the process of laying people off during the current post-acquisition initiative. That would turn employees against the system and poison it forever.

A performance-review system that is crafted meticulously should be rolled out just as carefully. Leaders must frame it as a long-term tool for developing high potentials, improving the performance of all employees, and generating data that help executives to direct financial rewards appropriately. In the early rollout phase, the system should be used at the top of the organization, so that senior managers can gain experience with it and lead by example. Then, in the first year of its wider deployment, it should be used just to identify candidates for promotion and offer special assignments. Only after the system is working well and everyone has bought into it should it serve as the basis for compensation and layoff decisions.

If I want an employee to improve, I need to get her attention. Giving her a 2 will do that.

The companywide rollout should involve a comprehensive program of communication to all employees. Managers should also attend training sessions in which they role-play how to give realistic feedback about subordinates' work so that unrealistic appraisals never make it up to the head of HR. When I was CEO of Arrow Electronics, the company whose system was the seed for this fictionalized case study, managers who failed the role-playing exercises weren't allowed to do solo performance reviews.

Managers and employees must be reminded, again and again, that everybody will get at least one "low" grade. No one walks on water. As a manager, if I want an employee to improve, even modestly, I need to get her attention. Giving her a 2 will do that. If I assign her 5s on most dimensions and a 4 in the area that I think needs work, the message she'll take home is that she's pretty great, and that even in that one area she's still way above average. Next year, she'll have no clue why she was passed over for promotion. If she doesn't come away from the process knowing exactly where she needs to improve, it's been a waste.

All these steps take time, energy, and money. Number crunchers like Fierst often argue that what really matters is the bottom line, not human capital. But developing the best people in the most appropriate positions is actually the most effective route to a good bottom line. As Ekdahl eloquently says, that's a manager's "real work."

HBR Reprint R1107R
Reprint Case only R1107X
Reprint Commentary only R1107Z

THE GOAL, rightly or wrongly, is to achieve $20 million in savings. Given that annual evaluations are not usually performed with the objective of rank and yank, communicate to supervisors that they are participating in a redundancy effort and give them clear targets.
Douglas Edwin Coleman,
branch chief,
U.S. Department of Defense

DANIEL VASCONCELLOS

The Reign of Zero Tolerance

by Ben Gerson

Actions that damage a company and its employees should be stamped out, everyone would agree. But should the people responsible be stamped out, too?

"Mr. Pemberton?"

"Yes, that's me," Simon replied distractedly, his back turned.

The two burly gentlemen who had suddenly entered Simon's work pod did not have to identify themselves; the tan uniforms of Applied Devices' security detail would soon do that well enough.

"Come with us, please." Within seconds Simon discovered he really had no choice, as the two guards, now standing behind his chair, each placed a hand under one of his elbows and swiftly brought him to his feet.

"What is going on here?" Simon cried, more than once. But the materials chemist was already being quickstepped out of his work area and down the long white corridor leading to the employee parking lot. Greeting Simon as the small group reached his car was someone he'd never laid eyes on before–a woman who introduced herself as Sallie Tillotson, an HR manager. The guards had radioed her that the target wasn't putting up much resistance.

"Your personal belongings will be messengered to your home later today," Sallie told Simon. "All work-related materials stay here. You will receive a letter from HR listing the policies you violated and the terms of your severance."

The three waited for Simon to slip behind the wheel and start the engine of his green Focus hatchback before grimly nodding their good-byes under the beating sun.

As Simon would be reminded by registered mail the next day, unauthorized e-mailing and Internet use warranted

HBR's cases, which are fictional, present common managerial dilemmas and offer concrete solutions from experts.

termination at Applied Devices. A year earlier, the company had adopted a zero-tolerance program, which by this point covered a wide range of conduct. The letter would explain that every element of the policy could be found on AD's intranet, constituting "constructive notification."

Sudden unemployment was only one of Simon's worries; he could also expect his work permit to be revoked, requiring him to return to England. How well his adjustment had seemed to be going until this happened, he thought as he drove home. Yes, some of his fears about living among Coloradans had been confirmed–their tendency to take his words literally when he was being ironic; his own tendency to experience as prying what proved to be their innocent curiosity about a foreigner's background–but by and large, he had been touched by their friendliness and impressed by his colleagues' work ethic.

Most of all, Simon had been grateful to AD's chief scientist, Gottfried Harberg, for taking a chance on him. The Englishman had obtained his doctorate from the University of East Anglia in laser spectroscopy, which seemed to some people at Applied Devices to relate only tangentially to the technology on which Don Hardee, AD's CEO, had pinned the company's future: semiconductors for cell phones that could double as payment devices offering greater security than credit cards. But Gottfried saw value in Simon's background, and Simon had won an enthusiastic recommendation from Gottfried's acquaintance Martin Ledecky, then an assistant professor of chemistry at East Anglia. Martin had lost his bid for tenure and was now teaching at Amman University, in Jordan. Simon and Martin, who'd become good friends, remained in almost daily e-mail contact. Besides comparing impressions of their respective "desert kingdoms," they helped each other with their overlapping investigations of silicon's molecular properties.

Over the next several days, Simon thought back to their keystroked conversations and couldn't quite remember whether he had asked AD's Office of Internal Security to certify Martin as a correspondent on scientific matters. AD was understandably eager to prevent its trade secrets from reaching competitors. Simon knew he wasn't guilty of allowing that. The scientific questions he raised with Martin were too fundamental to be product related, and Martin had no industry connections Simon was aware of other than Gottfried, who had left a research post in Tübingen, Germany, to join AD. Maybe, Simon thought, he'd been dismissed for spending time online researching the climb up the Matterhorn he'd been planning–the choice of routes, crampons and other gear, the weather, the local vegetation. He'd often remained in his cubicle into the evening – until the air-conditioning was shut off – to make up for workday and after-hours time spent on noncompany matters. Maybe AD wasn't interested in that.

Simon had often remained in his cubicle into the evening to make up for time spent on noncompany matters. Maybe Applied Devices wasn't interested in that.

From Zero Prohibitions to a Dozen

Although most of his colleagues in R&D considered Applied Devices' treatment of Simon harsh, the company's zero-tolerance program enjoyed strong support among the staff overall, owing to an incident just before Simon's arrival. A clearly disturbed middle-aged man had entered the lobby one afternoon waving a pistol and loudly demanding to see Doris Klemm, his wife, who worked in the cafeteria. The guard on duty was checking an emergency-exit door upstairs that someone had breached to gain access to the roof for a smoke. The frightened receptionist transmitted the man's demands to the head of security, who summoned the city of Pueblo's SWAT team, which 20 minutes later found the perpetrator sitting on the floor with his head between his knees, looking exhausted and contrite. The gun lying next to him turned out to be unloaded.

The story the police pieced together back at the station house was that Doris had told her husband the night before that she wanted a divorce and planned to take their three children with her. Although no one at AD had been hurt, everyone who worked there, naturally, was upset. Shortly thereafter, Shirlee North, the head of HR, started looking into how to avoid this sort of incident in the future. Doris's husband was not an employee, but he could well have been. Soon Shirlee was examining other companies' zero-tolerance policies. She discovered that they had strong executive support. With assistance from general counsel, she drafted such a policy for AD.

Initially, it covered only weapon and drug possession. But then, at the midyear all-staff meeting, a young woman stood up to say that if it hadn't been for that smoker, security would have been on hand to tackle Doris's husband the second he entered the lobby. Unmistakable murmurs of agreement throughout the auditorium quickly made clear to Shirlee and Don that illicit smokers should be added to the list of wrongdoers who would not be tolerated at Applied Devices. It came to seem wise to include anyone possessing alcohol or showing signs of intoxication on-site; misappropriating company property, regardless of value; incurring unauthorized expenses above $100; or engaging

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in unauthorized e-mailing and Internet use. Additions came every few months or so, and each was announced in a global e-mail.

The Quality of Mercy

Don, who had been CEO of Applied Devices for almost three years, was a Six Sigma master black belt, a churchgoing Southern Baptist, and, as it happened, a pretty good shot. It was on the strength of the job he'd done as AD's vice president for manufacturing that Don had ascended to the company's top position. When he became vice president, AD was suffering from a ratio of scrap to outputs that was 57% higher than the industry average. Cycle and delivery times had been slipping, machine parts were wearing out faster than supplier specifications had promised, and no one could figure out why there was so much variation in the amount of copper that went into AD's microprocessors. Don hired some black belts and saw to the training of a couple of dozen green belts. Within 18 months, AD's productivity growth rate tripled.

Emboldened by this triumph, Don decided, after he became CEO, to extend Six Sigma principles–under which there must be no more than a few defects per million opportunities – to finance and accounting. The collection rate shrank by 12 days within just a few months, the uncollected-receivables rate plummeted soon thereafter, and it now took only four days to close the account books following the end of a quarter. Since Don was thoroughly sold on Six Sigma, he extended that discipline to human resources as well. Although warned by Shirlee that not all HR processes were quite so susceptible to quantification, Don soon saw a sizable reduction in overpayments to employees on medical leave and in the time it took to fill vacant positions.

So when, in the aftermath of the pistol-waving incident, a clamor erupted in favor of a zero-tolerance policy forbidding weapons anywhere on campus, and Shirlee produced language that passed legal muster, Don was receptive. He believed that deviations from a defined standard of behavior shouldn't be tolerated at Applied Devices. The dangers to employees' health, safety, and morale – not to mention to the company's productivity and reputation – were too great. When the conduct specified was so clearly harmful, and the line that must not be crossed so sharp, why shouldn't employees who did cross it face summary dismissal?

Here was an idea inspired by Democratic senators Dianne Feinstein and Byron Dorgan, who had drafted the Gun-Free Schools Act and the Safe and Drug-Free Schools and Communities Act back in the mid-1990s – laws that now permitted Don's neighbors' kids in the Pueblo public schools to concentrate on their studies instead of facing the temptation of getting high or the worry they might get stabbed or shot. According to the Pueblo policy, students carrying weapons or any drug not medically authorized faced immediate expulsion. Ninth-grade math scores, Don had read in the newspaper, were climbing. Surely there was a connection.

One of Don's neighbors had passed along an article by the late senator Daniel Patrick Moynihan, a former Harvard professor, entitled "Defining Deviancy Down." Moynihan asserted that just as very law-abiding societies tended to treat minor crimes as grave infractions, societies that experienced far too much bad behavior often indulged it, explained it away, and eventually judged it harmless. Moynihan thought the late 1980s and early 1990s, with their high crime rates, had been one such society; might the increasing indifference of employees to company rules mean that Don was living in another?

That Sunday, as he did most Sundays, Don drove with his wife to Mt. Hebron Baptist, a red-brick Victorian church downtown, where the Reverend Steve McCracken delivered a sermon entitled "Lines Drawn in the Sand: Will the Lord's Tears Wash Them Away?" Many of Don's coreligionists in Pueblo were teetotalers, and some still frowned on dancing. But Don's religion, though strict in its ways, also preached forgiveness when sinners acknowledged their lapses and repented. As CEO, however, Don thought his first duty was to the welfare of the institution he ran, not to the handful of errant souls within it.

When the conduct was so clearly harmful, and the line that must not be crossed so sharp, Don thought, why shouldn't employees who did cross it face summary dismissal?

Another Kind of Process?

Melissa Dresser was Shirlee North's second in command. She had seen Simon's dismissal coming and had fretted about it. Unauthorized Internet use was fundamentally different from, say, gun possession, which had to be stopped in its tracks or everyone would be in danger. Goofing off online was a substantial cumulative drain on the company's productivity, in Don's view; but Shirlee had advised him that the first instance of it that IT detected and referred to HR could not, realistically, serve as grounds for firing. So, working with a retired FBI agent who now ran a security consulting business in Pueblo, Shirlee had developed some protocols.

More than eight hours online per week, an amount that was 20% higher than the company average, identified an employee as suspect and precipitated spot monitoring of Web sites visited. If

25% or more were found to be clearly unrelated to the employee's duties, then e-mail would be monitored, too. The protocol for that was, first, the auditing of all e-mails sent to employees of competitor companies and, second, the auditing of all e-mails with destinations carrying a foreign suffix, such as "de," for Germany, or "nz," for New Zealand. The consultant was particularly concerned about Simon's frequent contact with a resident of a Middle Eastern country who was not on the approved list, and with their exchange of indecipherable equations. The combination of the two violations called into question Simon's loyalty and dedication to the company, which the consultant and Shirlee deemed to be suitable grounds for firing.

As Shirlee was getting ready to leave the office one evening shortly after Simon's expulsion, Melissa asked if she could stop for a quick chat.

"I'm sorry to hold you up, but I'm worried about where zero tolerance is leading us," Melissa began. "You know I was completely behind the policy on guns. I felt we had to ignore the hunters on staff who groaned about the ban on rifles in the trunks of their cars. I also think it's good that we don't pay any attention to pill takers who don't like showing us their drug prescriptions."

Melissa paused, and her eyes lit up. "Hey, remember how upset Don's wife was when airport security grabbed her Hermès manicure kit? You told me she pestered Don for weeks to buy a fractional share in a Gulfstream so she wouldn't have to go through that again. She had a point – she doesn't make for a very scary terrorist – but she came around because she understood the stakes involved, like everybody who works at AD."

Melissa looked directly at Shirlee, and her voice softened. "But when health and safety aren't at stake, it's hard to justify summary dismissal."

"I feel we've evolved to meet your concern," Shirlee replied evenly. "After all, we could have terminated Simon long before we did. As you've seen, though, we've made sure that zero tolerance for nonsafety violations involves a lot of managerial discretion," she added, sounding rather proud of the protocols she'd worked out.

"But the fact is," Melissa continued with greater urgency, "even people engaging in behavior we know is wrong might have something meaningful to say in their own defense. They're not schoolchildren. But zero tolerance means they can't."

Shirlee responded, this time a bit stiffly, that the company intervened only when the action was clearly prohibited, the harm actual or imminent, and the evidence unambiguous.

"But what is accomplished?" Melissa asked, plunging ahead. "Don't you think Simon would have stopped spending so much time online if only we'd said something? We still don't know what he was up to with that Ledecky fellow. He may have been in technical violation without hurting the company in any way. Sometimes I think that the zero-tolerance policy, when you get right down to it, is designed to punish people rather than to fix problems."

"It's not supposed to do either," Shirlee said, by now feeling somewhat affronted. "The point is to *prevent* problems from occurring."

"I don't know," Melissa replied. "The department's been talking about making romance between a manager and a subordinate – or even the appearance of hanky-panky – a reason for automatic dismissal. But that kind of thing is almost impossible to prevent." Besides, she added, reassigning one party or the other, and issuing both a stern reprimand, would solve the problem in most cases. "Yet Sallie and Myra and I worry we'll look like we're condoning really evil behavior unless we pounce."

"I would hope that all of you would 'pounce,' as you put it, if there were a power imbalance and a manager engaged in conduct that was demeaning and inherently exploitative," Shirlee said. "You would have no choice but to totally dissociate yourself and the company from it. Aside from all the harm to morale these kinds of abuses cause, you seem to ignore the damage a single incident can do to AD's reputatio[n]. Have you already forgotten the troub[le] we had recruiting people after word g[ot] out about Doris Klemm's husband? M[y] philosophy is, 'Dire threats require dra[s]tic solutions.'

"I'm tired of all this back and fort[h]," she finished. "I'll see you tomorro[w] 8 AM sharp."

Letting the Chips Fall

AD was making steady but slow pro[g]ress toward fabricating Don's pet micr[o]processor. Meanwhile, an innovati[ve] French cell phone manufacturer h[ad] signed a contract with Tetragram, AD['s] toughest competitor, known to be wor[k]ing on a similar device. The researche[rs'] work had not been helped by Simon['s] dismissal, which shocked Gottfrie[d,] their chief, above all. The academic m[i]lieu Gottfried came from was relax[ed] about things like Internet use – and ce[r]tainly it had little reason to be worri[ed] about gunplay. He knew as well th[at] only the most open exchange of ide[as] could lead to the solution of difficult r[e]search problems. Simon's backgrou[nd] in spectroscopy had turned out to be [as] valuable as he'd hoped, making Simon['s] firing especially painful for Gottfrie[d,] who, with Don's blessing, had recruit[ed] Simon and a few other especially prom[]ising scientists directly, bypassing Sh[ir]lee's department, which handled on[ly] the paperwork.

When the Tetragram deal was a[n]nounced, Applied Devices' remaini[ng] R&D team members found themselv[es] under such pressure that they took [to] downloading various proprietary da[ta]bases to their laptops so that they cou[ld] continue their calculations at hom[e.] And then the bulletin came: "The poli[cy] of Applied Devices, Inc., is one of ze[ro] tolerance for the downloading and r[e]moval from Applied Devices' premis[es] of all databases that are the intellectu[al] property of Applied Devices."

Should Applied Devices modify an[y] part of its zero-tolerance program?

Four commentators offer expert advice beginning on page 46.

Shirlee seems to be trying to make HR policies so comprehensive that Applied Devices' managers won't need to exercise judgment. That's a mistake.

Janet Parker is the senior vice president of human resources for AmSouth Bank in Birmingham, Alabama, and the chair designate of the Society for Human Resource Management, based in Alexandria, Virginia.

Zero-tolerance policies definitely have a place in organizations. At AmSouth, we take that approach toward firearms on corporate property, toward harassment, and even toward inappropriate Internet use. Our goal is to provide a very safe working environment: It's our responsibility to ensure that when our people come to work, they don't have to worry about being harassed and don't need to be fearful. It's also our responsibility to give our managers clear guidelines, so that when they need to administer corrective action, they've got a framework in place to rely on.

Because most people feel more comfortable when they know what the guidelines are, we work with our legal department to set boundaries for acceptable behavior, and we let our employees know the consequences of ignoring them. But we intend them to be just guidelines. In the HBR Case Study, Shirlee North seems to be trying to make HR policies so comprehensive that Applied Devices' managers won't need to exercise judgment. That's a mistake. It's impossible to spell out every type of situation that might come up – human relations aren't as cut-and-dried as that. I've known managers who aren't comfortable working in gray areas or having difficult conversations, and they want HR to give them a script to follow. I don't believe we should. Good managers, in my experience, prefer having some leeway.

There will be times, of course, when leeway isn't appropriate: If someone is creating a hostile work environment, the action we need to take is clear. If we learn that a person is sending offensive jokes or racial slurs over e-mail, we take a hard line. Downloading inappropriate pictures is a zero-tolerance offense as well. Wearing extremely casual attire is also an infraction in our conservative industry, and on rare occasions I've sent people home for doing that. Yet we do have much more important things to do than serve as the dress-code police.

Because of our responsibility to protect customers' accounts, we have very sophisticated online-monitoring tools here. We watch activity, and we let our employees know that we're watching. I am always amazed when people think, "Maybe they really aren't," and try to take advantage. We've got reports that register number of hits per person and length of time online. Sometimes I see a report and think, "My gosh, this person is spending an enormous amount of time on the Internet"; but then you need to drill down further. Maybe the employee has picked up a computer virus that multiplies her Internet use – we've had that happen. If you don't take a closer look, you might make the wrong decision. Or maybe an employee is just spending too much time on the Fox News site or ordering online products. In that kind of situation, we might issue a written warning.

The important thing is not to make decisions in a vacuum. That consideration applies, too, to the decision to hire. In the Case, HR was circumvented when Simon Pemberton was brought on board. When HR has the chance to do background checks and drug screens and talk to people who know the individual, chances are better that the right decision will be made.

Although zero-tolerance policies can be appropriate, Applied Devices mishandled Simon's termination. Shirlee monitored the amount of time that Simon spent online and found out whom he was exchanging e-mails with, but she didn't give him an opportunity to tell his side of the story. AmSouth has in fact terminated employees who have clearly violated its policies – but our approach is to research the issues, give the employee an opportunity to respond, and then decide what to do.

WENDY WRAY

***Eugene Volokh** (volokh@law .ucla.edu) is a professor at UCLA School of Law, where he specializes in, among other things, cyberspace law, intellectual property law, and workplace harassment law. He is also an academic affiliate of the international law firm of Mayer, Brown, Rowe & Maw, which is based in Chicago.*

CEO Don Hardee thinks deviations from a defined standard of behavior shouldn't be tolerated. Yet whether that's right depends on three things: what the standard of behavior is, how clearly and accurately it can be defined, and what disciplinary action is meant by "shouldn't be tolerated."

Mandating the firing of people who threaten deadly violence makes sense. But mandating firing for all unauthorized e-mail, including a quick message to your spouse, does not. The abstract label "zero-tolerance policy" means little. What matters is the concrete standard embodied in the policy.

Zero-tolerance policies for genuinely serious misconduct can deter employees from doing things that hurt the company by making clear that their connections or supposed importance won't protect them. Such policies constrain lower-level managers who might otherwise be too lax with subordinates they know and like. And if consistently enforced, zero-tolerance policies can dispel suspicions that some employees are cut slack while others are treated harshly – suspicions that can damage morale or even yield discrimination lawsuits.

But zero-tolerance policies can also create needless costs. Replacing an employee, especially a skilled professional, may cost tens of thousands of dollars in recruiters' fees, training expenses, relocation costs, and productivity lost during the search. To get labor certification for Simon Pemberton, Applied Devices must have gone through the hassle of navigating the immigration laws and attesting to the U.S. Department of Labor that Simon's skills have unique value. Now the company is throwing those skills away.

When something is called into question, the sensible thing is to find the answer.

Overbroad policies can also deter useful behavior, not just harmful behavior. Many scientific discussions with outsiders help develop new ideas without revealing trade secrets. If, however, Simon's coworkers assume he was fired because he discussed chemistry with Martin Ledecky, they're likely to avoid having such potentially valuable conversations themselves and may thus fall behind competitors in knowledge and inventiveness. Plus, for a talented chemist attending a conference on the lookout for a new job, which company will be more appealing – one whose employees are excitedly discussing interesting science, or one whose employees are afraid to talk without clearance from management?

Let's look closely at the policy sections that Simon might have violated:

First, if "unauthorized" e-mailing and Internet use means "not work-related," then the company seems to be barring e-mails to one's spouse, quick online yellow-pages searches, and so on. Honestly enforcing this policy would mean firing many workers.

Second, even if the policy applies only to those who spend more than eight hours online per week, there's no need for it to cover after-hours use (which might have helped get Simon in trouble).

Third, goofing off a little, even on company time, may not have kept Simon from doing a good job, since he made up the lost time by working late. If that's so, it would be hard to justify firing him for his minor transgression and then spending tens of thousands of dollars to replace him.

Finally, Simon's firing may be partly based on his "indecipherable" e-mails to Martin, which called Simon's loyalty and dedication into question, and not on any express zero-tolerance violation. Yet when something is called into question, the sensible thing is to find the answer, not to assume it. Some of AD's engineers could doubtless have deciphered the e-mails. Why not ask them and thus learn whether Simon's behavior is hurting the company or actually helping it?

Don's approach, we're told, has greatly reduced the time it takes to fill open positions. But if Don cares about vacancy and replacement costs, he should recognize the expense of unnecessary firings. He should also recognize the need to focus concretely on which rules are right and which sanctions are sensible, rather than relying on generalities such as "zero tolerance."

Zero tolerance might work well in situations where winning is the result of operational excellence. But to enable people to innovate, companies need to tolerate failure.

Jean Halloran *is the senior vice president of human resources at Agilent Technologies, a scientific-measurement company based in Santa Clara, California.*

Human resources policies have three dimensions to them: the way they're written, the way they're understood, and the way they're practiced. These distinctions are particularly relevant at a decentralized company like Agilent, where general managers are expected to make their own decisions but to do so in a way that is consistent with companywide policies. To try to control all decisions from our Santa Clara headquarters would be foolish. We do, however, have very strong values and principles, and we spend a lot of time and other resources training managers and employees in how to apply them. We then count on Agilent general managers around the world to do just that.

While it's important to recognize the dual objective of maintaining consistent treatment of our employees and complying with applicable legal requirements, no set of policies, no matter how thorough, can eliminate the need for good judgment – and that must be based on managers' knowledge of the context for the actions under scrutiny. Policies serve as guidelines for decisions that people must make; they shouldn't dictate every outcome. Consequently, I think it would be unwise in the extreme even to attempt to create something as inflexible as a zero-tolerance policy.

Moreover, Six Sigma is a highly disciplined approach for systematically eliminating defects in a process. Ultimate success would be perfection. Some HR processes – for instance, ones that depend on conformance to specs, such as the direct deposit of paychecks and accurate benefits administration – could be well served by Six Sigma. (After all, a company's employees are HR customers, so those processes should be designed and improved to meet their needs.) In the areas of human motivation, creativity, and innovation, however, there are tools more useful than Six Sigma, such as management by objectives. Zero tolerance might work well in situations where winning is the result of operational excellence. But to enable people to innovate, companies need to encourage experimentation, allow the open flow of information, and tolerate failure while managing risk. The aim should be learning, not perfection.

The idea that you could write down formulaic policies that, if perfectly applied, would cause specific outcomes ignores the reality that employees are individuals. Further, those individuals are the most powerful source of innovation and business results. The free exchange of ideas, and even conflict over those ideas, promotes an innovation-rich work environment. Damping down people's judgments would inhibit communication and collaboration. To think of a human being as a machine is both silly and counterproductive.

Agilent has for many years had what we call "standards of business conduct." Every year, all managers must refamiliarize themselves with those standards and certify that they have done so. The standards include grounds for termination: theft, falsification of records, physical violence, showing up at work under the influence of drugs or alcohol, and so on. However, when there may be cause to fire someone, the one thing a company should never be is in a hurry. In many states in the U.S., Applied Devices' actions would be considered illegal because they denied Simon Pemberton his right to tell his side of the story. For the two brown-suited security guards to come to Simon's desk and march him out the door without explaining what the problem was reflects a severe and deeply distrustful environment.

The distrust that Shirlee North conveys with her overly obedient interpretation of her boss's expectations is potentially far more harmful to the company's reputation than a tendency to give people the benefit of the doubt would be. If AD had operated on the assumption that its employees were well-intentioned, as they are in most organizations, it would have developed policies designed to encourage high performance, not to catch employees behaving badly.

***Michael G. Cherkasky** is the president and CEO of Marsh & McLennan, a global professional-services firm based in New York. Previously, he was the CEO of subsidiary Marsh, a risk management and insurance services firm; the CEO of subsidiary Kroll, a global risk consulting company; and the chief of the Investigations Division of the New York County District Attorney's Office.*

I have a background in the U.S. criminal-justice system, and I was never in favor of determinative sentencing, which prevents judges from weighing mitigating or aggravating factors in a convicted person's history. A company may have the legitimate goal of declaring some forms of behavior unacceptable, but its approach to punishment should always be flexible. The solution shouldn't invariably be termination.

For example, at a company with a zero-tolerance policy toward violence, a manager may scream at a person who is lower in the organization. But is it clear that his behavior is threatening and thus a violation? In his case, counseling might be a better course than firing.

In a system where the three-time offender is sent to prison for 25 years to life, even if it's for stealing a candy bar, the rules, by themselves, can never be fair enough and often result in harsh and arbitrary punishment. We are all aware of the sobering effect of a good public hanging. However, although it makes sense to declare some forms of behavior unacceptable, zero-tolerance policies often become a crutch for lazy managers who do not know how to run a business effectively while addressing problems as they arise.

The rules, by themselves, can never be fair enough and often result in harsh and arbitrary punishment.

Take a manager who institutes a zero-hiring policy because he has been ordered to control costs: Yes, costs will decline, at least for a while, but probably at the expense of activities that generate revenue and drive growth.

Instead of zero tolerance, companies need managers who care more about the team – and building a culture within it – than they do about the rules. A perfect example is the Los Angeles Police Department, where, several years ago, officers were found to be using force excessively. As its court-appointed independent monitor, I have found that transforming the department from one that resembled an occupation army to one that embraces community policing has involved much more than imposing a clear set of rules. The officers must believe that they are part of the community they protect. By the same token, managers must be, and must recognize themselves as being, part of the corporate culture.

In short, simplicity, clarity, and purity can't be the overriding goals of a system of standards and punishments. I'm not saying that a company as large and diverse as GE, for example, shouldn't be applying Six Sigma and other formulas. But even in manufacturing, every product has allowable amounts of adulteration. That's because as you approach perfection, the incremental cost of inching closer becomes too great. As Applied Devices moves toward zero tolerance, the cost of stifling self-reliance, motivation, and creativity becomes unacceptable.

Even so, if people go too far in departing from the guidelines, their bad practices tend to create a precedent, which then becomes the new rule. Despite this danger, a company mustn't structure things on the assumption that it has bad managers or, for that matter, geniuses in charge.

I have worked as a consultant with numerous companies that employ zero-tolerance policies. I can understand the appeal. These organizations are acutely aware of the fact that there is nothing more important than their reputations – and that a small mistake can threaten the entire brand. As a result, they are tempted to resort to draconian codes, which, for that reason, managers are hesitant to enforce. And so, once the passion for a particular practice has cooled and no one is watching, that practice is shelved as burdensome, harsh, and unworkable. Meanwhile, the culture hasn't changed, and the company has suffered a long-term competitive disadvantage.

Reprint R0611A
Reprint Case only R0611X
Reprint Commentary only R0611Z
To order, see page 159.

MBA (G) IIIrd Sem.
(Batch- 2021-23)
Subject: MEB (MS-205)
Topic of Presentation

S No.	STUDENT NAME	Enroll. No.	Topic of Presentation
1	Ashutosh Kaushik	02912303921	Electronic Commerce technologies, Usage and Application of Electronic Commerce technologies in Business.
	Monu	1612303921	
	Prashant	2712303921	
2	Yash Sharma	912303921	Security Issues in e-business: Security Overview, Electronic Commerce Threats,
	Mansi Pandey	01212303921	
3	Rishabh	02012303921	Encryption
	Piyush	35112303921	
4	Hardik	01512303921	Cryptography, Public Key and Private Key Cryptography
	Ritesh	01112303921	
	Vineet	02112303921	
5	Anmol garg	35412303921	Digital Signatures, Digital Certificates
	Shristi kothari	01412303921	
6	Gargi Jain	1912303921	Securing Electronic commerce Networks: Security Protocols, HTTP, SSL, Firewalls, IDS, VPNs,
	Bhairavi Chauhan	1312303921	
	Shivanshi Dutta	35212303921	
7	Vikram	02612303921	Public Key Infrastructure (PKI) for Security
	Shubham	35312303921	
8	Prashant Choudhary	00812303921	Concept of Electronic Money, Concept of Electronic Payment System,
	Moahammed Zaid Siddiqui	00712303921	
9	Siddharth	00512303921	Types of Electronic Payment Systems, Credit & Debit Cards, Smart cards, RuPay cards, Electronic wallets, Payment Gateways,
	Syed Gulam Mustafa	02812303921	
	Mansi Gangwar	01812303921	
10	Shivani	00612303921	Infrastructure Issues in Electronic Payment Systems, Electronic Fund Transfer
	Rohit	00312303921	
11	Tanya	1712303921	Business & Revenue Models over Internet
	Shruti	112303921	
	Kamalpreet	212303921	
12	Aayush	1012303921	Emerging Trends in E-Business,
	Devansh	412303921	
13	kavita	2312303921	Digital Commerce, Mobile Commerce: Concepts, Benefits and Models, Emerging Trends in Mobile Apps;
	Manav Dutt	2412303921	
14	Jai	35612303921	Internet based Business Models
	Varun Lall	02512303921	
15	Manish	02212303921	Legal and Ethical Issues of E-Commerce
	Aryan	35512303921	

MACROECONOMICS- PPT AND GD TOPICS

BCOM(H)

SUBJECT CODE: BCOM 106

name of student	topic of presentation	delivered on
Harsh Kumar	Limitations in National Income	Mar-23
Tanishka Dhir		
Siddartha Sahu		
Kritya Saluja	Challenges in National Income	Mar-23
Laksh Bhateja		
Riya		
Priyanshu	Effective Demand	May-23
Mayank		
Abhay		
Aish	Business Cycle	Jun-23
Ankit		
Harsh Gulati		

name of student	topic of group discussion	delivered on
Rishabh	What is important for an economy-savings or investment	Apr-23
Avadh		
Himanshu		
Yashika		
Aditi		
Shreyansh	Which is the best indicator of economic wellbeing-Real GDP or Nominal GDP	1-Apr
Rituparn		
Jatin		
Rajat		
Khushboo		

MARKEING MANAGEMENT PPT GROUP LIST
MS 111/MFM 111
(Batch- 2021-23)
Topic of Presentation

S.NO.	NAMES	DATES
1	TANYA AND SHUBHAM	16th Dec
2	BHAIRAVI AND SHRISHTI	18th Dec
3	VINEET AND RITESH	27th Dec
4	SIDDHART AND SYED	3rd Jan
5	SHIVANI SHARMA AND YASH SHARMA	17th Jan
6	SHRUTI AND KAMALPREET	20th Jan
7	VARUN AND PRASHANT CHOUDHARY	22nd Jan
8	KIRTI AND ABHISHEK AGGRAWAL	31st Jan
9	RISHAB AND MOAHAMMED ZAID	5th Feb
10	NIVEDITA AND RISHITA	10th Feb
11	PRASHANT AND ASHUTOSH	14th Feb
12	GARGI AND POOJA	17th Feb
13	PRIYA AND MANSI GANGWAR	18th Feb
14	MANSI PANDEY AND ROHIT KUMAR	24th Feb
15	MANAV AND KAVITA	28th Feb
16	VIKRAM SHARMA AND SHIVANI GOEL	3rd March
17	AYUSH AND DEVANSH	10th March
18	MANISH AND ARYAN	14th March

/

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LIST OF PRESENTATIONS

1. Name of College / UTD / Affiliated Institution: **Delhi Institute of Advanced Studies**

2. Name of Programme: BBA　　3. Semester: V

5. Subject Code: BBA 309　　6. Subject Name: GST

7. Period of Attendence: 12.09.12-13.12.22　　8. Date of Submission: 14.12.22

S. NO	ROLL NO.	STUDENT NAME	Total No. of Classes:
			Class Attended
1	00112301720	AARUSHI JAIN	Direct and Indirect Taxes
2	00212301720	AAYUSH SHARMA	Pre & Post GST Regime
3	00312301720	ABHISHEK GUPTA	GST Council
4	00412301720	AKSHITA JAIN	Supply for Consideration under GST
5	00512301720	AMAN DWIVEDI	Activities to be treated neither as supply of goods nor as supply of services
6	00612301720	ANIKET KUMAR	Composition Levy
7	00712301720	ANSH RAHEJA	Electronic Cash Ledger & Electronic Credit Ledger
8	00812301720	ANSHIT SINGLA	Electronic Tax Liability Register
9	00912301720	ANSHUL	Migration to GST
10	01012301720	ANSHUL YADAV	Compulsory Registeration Under GST
11	01112301720	ANURAG	Persons not liable to get registered under GST
12	01212301720	ANUSHKA TANWAR	Procedure for obtaining registeration
13	01312301720	ARPIT KAUSHIK	GST Registeration Responsibilities
14	01412301720	ARYAN NAYAN	Effective date of Registration
15	01512301720	CHARU JAIN	Ammendment of Registration
16	01612301720	GAURAV KUMAR	Cancellation of Registration
17	01712301720	GUNGUN CHAUHAN	Revocation of Cancellation of Registration
18	01812301720	HARSH DAGAR	Assessment of Tax
19	01912301720	J TUSHAR MISHRA	Tax Invoice
20	02012301720	JAFFIN STANLY	Debit Note and Credit Note
21	02112301720	KAASHVI PARASHER	Accounts
22	02212301720	KHUSHI	Records
23	02312301720	KHYATI BHATIA	Exemptions under GST
24	02412301720	KUNAL SHARMA	Job Work
25	02512301720	LAKSHAY AGGARWAL	Levy under GST
26	02612301720	LAKSHAY KASHYAP	Place of Supply
27	02712301720	LAKSHAY SEHGAL	Forward Charge Mechanism
28	02812301720	MAYANK SHARMA	Reverse Charge Mechanism
29	02912301720	MEHAK GARG	Change in rate of Tax
30	03012301720	MUSKAAN THAKUR	Value of Supply
31	03112301720	NIKHIL VERMA	Value of Supply when price is not the sole criteria
32	03212301720	OJAS BATRA	Input tax credit

S. NO	ROLL NO.	STUDENT NAME	Total No. of Classes:
			Class Attended
33	03312301720	PARTH SHARMA	Types of Returns
34	03412301720	PAYAS AGARWAL	Returns under Section 44
35	03512301720	PRATHAM MAKKAD	TCS
36	03612301720	PREETISH ARYAN	TDS
37	03712301720	PUNEET JAIN	Demand
38	03812301720	RACHIT SHARMA	Recovery
39	03912301720	RAHUL TIWARI	Inspection under GST
40	04012301720	RISHAB MITTAL	Search under GST
41	04112301720	RISHAB SACHDEVA	Seizure under GST
42	04212301720	SACHIN KUMAR	Arrest under GST
43	04312301720	SAHIL AHMED SIDDQUI	Advance Ruling
44	04412301720	SAHIL GARG	Appeals under GST
45	04512301720	SAHIL SACHDEVA	Revision under GST
46	04612301720	SAHILGUPTA	Audit under GST
47	04712301720	SHANTANU JHA	Offences under GST
48	04812301720	SHERIL JAIN	Penalties under GST
49	04912301720	SHIKHA GAMBHIR	Refunds
50	05012301720	SHIVAM GUPTA	Role of GSTP
51	05112301720	SUSHMITA MAITI	Eligibility to become GSTP
52	05212301720	TANISHK AGGARWAL	Forward Charge Mechanism
53	05312301720	TANU TULSYAN	Reverse Charge Mechanism
54	05412301720	TEJAL ARORA	Change in rate of Tax
55	05512301720	VIVEK AGGARWAL	Value of Supply
56	05612301720	YASH GUPTA	Value of Supply when price is not the sole criteria

Signature of Subject Teacher: Jyoti Tandon

Ms. Jyoti Tandon

Dated: 13/1/23

Comprehensive Illustrations

Class – B.Com (H) – II

Subject – Cost Accounting

Topic: Material Cost Control

Faculty Name: Ms. Juhi Ahuja

Illustration 1: In a factory, the following purchase and issues were made during the month of Account January, 1988. Prepare the stores Ledger Account under (a) FIFO method and (b) LIFO method.

Date	Purchases		Issues
	Units	Rate (Rs.)	
Jan. 1	500	5.00	-
Jan. 8	300	5.10	-
Jan. 13	-	-	600
Jan. 18	400	5.20	-
Jan. 23	-	-	300
Jan. 25	500	5.10	-
Jan. 31	-	-	200

Solution: (a) **Stores Ledger (FIFO Method)**

Date	Purchases			Issues			Balance		
	Qty.	Price	Amount	Qty.	Price	Amount	Qty.	Price	Amount
Jan. 1	500	5	2,500				500	5	2,500
Jan. 8	300	5.10	1,530				500 300	5 5.10	2,500 1,530

Jan. 13				500 100	5 5.10	2,500 510	200	5.10	1,020
Jan. 18	400	5.20	2,080				200 400	5.10 5.20	1,020 2,080
Jan. 23				200 100	5.10 5.20	1,020 520	300	5.20	1,560
Jan. 25	500	5.10	2,550				300 500	5.20 5.10	1,560 2,550
Jan. 31				200	5.20	1,040	100 500	5.20 5.10	520 2,550

(b) **Stores Ledger (LIFO Method)**

Date	Purchases			Issues			Balance		
	Qty.	Price	Amount	Qty.	Price	Amount	Qty.	Price	Amount
Jan. 1	500	5	2,500				500	5	2,500
Jan. 8	300	5.10	1,530				500 300	5 5.10	2,500 1,530
Jan. 13				300 300	5.10 5	1,530 1,500	200	5	1,000
Jan. 18	400	5.20	2,080				200 400	5 5.20	1,000 2,080
Jan. 23				300	5.20	1,560	100 200	5.20 5	520 1,000
Jan. 25	500	5.10	2,550				100	5.20	520

							200 500	5 5.10	1,000 2,550
Jan. 31				200	5.10	1,020	100 200 300	5.20 5 5.10	520 1,000 1,530

Illustration 2: Prepare Store Ledger Card (SLC) from the following information for July.

1 Beginning Inventory 50 Pieces @ Rs. 20
2 Purchases 100 Pieces @ Rs. 25
9 Purchases 50 Pieces @ Rs. 28
18 Sales 125 Pieces @ Rs. 30
20 Purchases 85 Pieces @ Rs. 32
22 Purchase 100 Pieces @ Rs. 34
27 Sales 150 Pieces @ Rs. 29

Required: *D*etermine the Cost of Sales, Cost of Closing Stock, Sales and Gross profit / loss under each of the following method by using perpetual inventory system, Cost are assigned on the basis of FIFO and Cost are assigned on the basis of Weighted Average

Solution:

Store Ledger Card (SLC) *FIFO*

Date	Description	Purchases			Sales			Balances		
		Units	@	Amount	Units	@	Amount	Units	@	Amount
July 1	Balance b / d							50	20	1,000
2	Purchases	100	25	2,500				50	20	1,000
								100	25	2,500
9	Purchases	50	28	1,400				50	20	1,000
								100	25	2,500
								50	28	1,400
18	Sales				50	20	1,000	25	25	625
					75	25	1,875	50	28	1,400
20	Purchases	85	32	2,720				25	25	625
								50	28	1,400
								85	32	2,720
22	Purchases	100	34	3,400				25	25	625
								50	28	1,400
								85	32	2,720
								100	34	3,400
27	Sales				25	25	625			
					50	28	1,400	10	32	320
					75	32	2,400	100	34	3,400
Total		**335**		**10,020**	**275**		**7,300**	**110**		**3,720**

Store Ledger Card (SLC) Weighted Average

Date	Description	Purchases			Sales			Balances		
		Units	@	Amount	Units	@	Amount	Units	@	Amount
July 1	Balance b / f							50	20.00	1,000
2	Purchases	100	25	2,500				150	23.33	3,500
9	Purchases	50	28	1,400				200	24.50	4,900
18	Sales				125	24.50	3,062.50	75	24.50	1,838
20	Purchases	85	32	2,720				160	28.49	4,558
22	Purchases	100	34	3,400				260	30.61	7,958
27	Sales				150	30.61	4,591.50	110	30.60	3,366.50
Total		**335**		**10,020**	**275**		**7,654**	**110**	**30.60**	**3,366.50**

Comparative Cost Sheet

Methods	*Balance*	*Purchases*	*Closing Stock*	*CGS*	*Sales*	*Gross Profit*
FIFO	1,000	10,020	(3,720)	7,300	8,075	775
Average	1,000	10,020	(3,366.5)	7,653.50	8,075	421.50

Illustration 3: The john equipment company estimates its carrying cost at 15% and its ordering cost at Rs. 90 per order. The estimated annual requirement is 78,000 units at a price of Rs. 4 per unit.

Required:

(i). What is the most economical no. of units to order?
(ii). No. of orders to be placed in a year.
(iii). About how often will an order need to be placed?

Solution

(i). Economical No. or Units to Order:

Annual requirement = 48,000 units

Ordering cost = Rs. 9 per order
Carrying cost = 15% of per-unit cost.
Per unit cost = Rs. 4 per unit

$$EOQ = \sqrt{\frac{2 \times AR \times OC}{CC}}$$

$$= \sqrt{\frac{2 \times 48{,}000 \times 9}{4 \times 15\%}}$$

$$= \sqrt{\frac{864{,}000}{0.6}}$$

$$= \sqrt{1{,}440{,}000}$$

$$= 1{,}200 \text{ units}$$

(ii). No. of orders to be placed in a year:

= Annual requirement / EOQ
= 48,000 units / 1,200 units
= 40 orders

(iii). About how often will an order need to be placed (i.e. frequency of orders):
Frequency of orders = No. of days in one year / No. of orders
= 360 days / 40 orders
= 9 days

Illustration 4: From the figures given below, calculate Economic Order Quantity (EOQ) and Total cost at EOQ?

Total consumption of material per year	10,000 kgs	Buying cost per order Rs. 50
Unit cost of material	Rs. 2 per kg	Carrying and storage cost 8%

Solution: $$EOQ = \sqrt{\frac{2\ AR \times OC}{CC}}$$

Where A = Annual Requirement/ Consumption of material

O = Ordering Cost per order

C = Carrying cost per unit

$$EOQ = \sqrt{\frac{2\ AR \times OC}{CC}}$$

$$EOQ = \sqrt{\frac{2 \times 10{,}000 \times 50}{2 \times 8\%}}$$

$$EOQ = \sqrt{\frac{2 \times 10{,}000 \times 50}{.16}}$$

EOQ = 2,500 Units

*Total Inventory Cost = [Fixed ordering cost (F) * Number of Order per year N] + [Carrying Cost (C)* EOQ/2]*

Total Inventory Cost = [50 * 10,000/2,500] + [(2*0.08)* 2,500/2]

Total Inventory Cost = 200 + 200

Total Inventory Cost = Rs. 400

Illustration 5: Find out Minimum Stock Level, Maximum Stock Level and Ordering Level from the following particulars:

Minimum consumption	100 units per day	Maximum consumption	175 units per day
Normal consumption	125 units per day	Re-order quantity	1,500 units
Minimum period for receiving goods	7 days	Maximum period for receiving goods	15 days
Normal period for receiving goods	10 days		

Solution:

(i) Ordering Level

*Ordering level= Maximum consumption * Lead Time [maximum]*

Ordering level= 175 * 15

Ordering level= 2,625 Units per week

(ii) Minimum Level

Minimum level= Reorder level – (Average consumption x lead time [Average])

Minimum level= 2,625 – (125 x 10)

Minimum level= 1,375 Units per week

(iii) Maximum Level

*Maximum stock level= Reorder level – (Min consumption * Lead time [minimum]) + EOQ*

Maximum stock level= 2,625 – (100 * 7) + 1,500

Maximum stock level= 3,425 Units per week

Illustration 6: Discuss the consideration that influences the setting of maximum, minimum and reorder stock levels. Illustrate their computation by using the following information for a component 'ZYP'.

Normal usage	50 per week
Minimum usage	25 per week
Maximum usage	75 per week
Re-order quantity	300 units
Re-order period	4 to 6 weeks

Solution

Re-order level = Max. consumption per day / per week etc. x Max. Re-order period

= 75 units X 6 weeks = 450 Units.

Maximum Level = Re-order Level + Re-order Quantity – (Minimum consumption per day/per week etc. X Minimum time required to obtain supplies)

= 450 units + 300 units – (25 units x 4 weeks)

= 750 units – 100 units = 650 units

Minimum Level = Re-Order level – (Normal consumption per day/per week etc. X Average Re-order period)

= 450 units – (50 units x 5 weeks)

= 450 units – 250 units = 200 unit

Comprehensive Illustrations

Class – B.Com (H) – II

Subject – Cost Accounting

Topic: Labour Cost Control

Faculty Name: Ms. Juhi Ahuja

Illustration 1: A workman's wages for a guaranteed 44-hour week is ₹ 7.50 per hour. The estimated time to produce one article is 30 minutes and under an incentive plan, the time allowed is increased by 20%. During a week, a worker produced 100 articles. Calculate the wages under each of the following methods: a) Time rate b) Halsey System, and c) Rowan System.

(QB, Question No. 19, Unit II, Short Questions, PP. 28)

Solution: (a) Estimated time to produce one article = 30 minutes

If one article produced in 30 minutes
Then 100 articles will be produced in 30 x 100 = 3,000 minutes = 50 hours
Earnings as per time rate = 50 x 7.50 = Rs. 375

(b) Standard time allowed to worker in a week = 44 hours + 20% of 44 hours
= 44 + 9 = 53 hours
Actual time taken by him = 50 hours
Time saved = 3 hours
Total earnings as per Halsey Plan = T*R+ (S-T/2)*R
= 50 x 7.50 + (53 – 50/2) x 7.5
= 375 + 1.5 x 7.5
= 375 + 11.25 = Rs. 386.25

(c) Total earnings as per Rowan Plan = T*R+ (S-T/S)*T*R
= 50 x 7.5 + (53 – 50/53) x 50 x 7.5
= 375 + (3/53) x 375
= 375 + 21.23 = Rs. 396.23

Illustration 2: Standard time to complete the job is 8 hours and rate per hour is Rs. 1. Calculate wages as per Bedaux plan under two cases:

(i) Actual time taken is 10 hours
(ii) Actual time taken is 6 hours.

Solution:

CASE I: Actual time= 10 hours.
Earnings= 10*1= Rs. 10.

CASE II: Actual Time= 6 hours.

Earnings:
Time wages= 6*1= Rs.6

Bonus:
Standard Bs= 60*8= 480
Actual Bs= 60*6= 360
Saved Bs= (480-360)= 120
Bonus= (75/100)*(120*1/60)
= 1.50

Thus, total earnings= 6+1.50= Rs. 7.50

Illustration 3: From the following information, calculate the bonus and earnings under Emerson Efficiency Bonus Plan:

Standard output in 12 hours	48
Actual output in 12 hours	42
Time rate ₹7.50 per hour	

If the actual output is 60 units, what will be amount of bonus and earnings?

(QB, Question No. 18, Unit II, Short Questions, PP. 28)

Solution: The efficiency of the worker is determined in the ratio of actual time taken by the worker with standard time of the work.

If a worker produces less than this, no bonus should be paid to him. The bonus is calculated on the following basis:

- Bonus must be 20% of his daily wages if the efficiency exceeds 100%.
- If efficiency exceeds by 10% over 100%, bonus will be 20%+10%= 30%.
- In the same manner, the rate of the bonus will be 40% at 120% level, 50% at 130% level and 60% at 140% level of efficiency.

Measurement of efficiency percentage

At 48 standard hours, efficiency = 100%

1 ---------------------------- = 100/48

60 actual --------------------- = 100/48 x 60 = 125%

At 125% efficiency level bonus will be paid as 40%.

Total earnings = Fixed wages + Bonus

= 60 x 7.5 + 40%(60 x 7.5)

= 450 + 40% of 450

= 450 + 180 = 630