

**ENABLING LEARNERS'  
EXPLORATIONS IN  
BUSINESS STUDIES  
&  
ACCOUNTANCY**

**MODULE - 1**

2016-17



**MANUAL FOR  
LECTURERS IN COMMERCE**

**WORLD OF BUSINESS -  
ONE REALITY SEVERAL FACETS**



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

**ENABLING LEARNERS' EXPLORATIONS IN  
BUSINESS STUDIES  
&  
ACCOUNTANCY**

**MODULE - 5**

**INTERNATIONAL BUSINESS AND E-BUSINESS**

**YEAR-2016-17**



**STATE COUNCIL OF EDUCATIONAL RESEARCH & TRAINING**

**VARUN MARG, DEFENCE COLONY, N. DELHI -110024**

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## **Foreword**

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

The apex organizations like NCERT and CBSE have been incorporating these changes by introducing Project work, VBQs, HOTS, and Case Studies etc., to bring children close to the real world of work. SCERT organises Capacity Building Programs to enable the teachers of commerce for effective classroom transaction and teaching-learning processes. This time SCERT has re-designed its training by developing six modules based on critical components identified across the XI & XII syllabus at Senior Secondary stage and a Supplementary handbook containing enrichment material. Module based training will be organised for all teachers. However, all the modules will be made available to the teachers for reference purposes.

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

I extend a deep sense of reverence and gratitude to all concerned authorities; DOE, NCERT and CBSE for extending all academic support for incorporating required content in the Modules for capacity building of Lecturers in Commerce.

We look forward for your continued support and academic associations for quality education and capacity building of teachers.

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

Your observations and suggestions are welcome on the modules.

**Anita Satia**

## **Editorial**

Today is the age of commerce. It has brought about revolutionary and radical changes in all walks of life. Doing business has taken a new shift which has broken the traditional confines of buyers and sellers' market and the way goods and services are bought and sold. Modes of payment and emerging modes of E-business have encouraged buyers to use technology in day to day life. The gap between domestic and International markets has narrowed down due to the technology. Consumer awareness has also taken a paradigm shift. Competition has become tough. ***It is in this backdrop, all teachers teaching Commerce at Senior Secondary level have to keep pace with fast changing world of business to relate the content of textbooks to the changing business scenario.*** It is a challenge and at the same time exciting, as the subject is not static.

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

This time it has been re-designed by developing six modules based on critical components identified across the XI & XII syllabus at Senior Secondary stage and a Supplementary Handbook containing enrichment material. Questioning based on Blooms Taxonomy and Question Paper Design, Case Studies, Project Work, HOTS, are major areas that will be addressed during Training Program for Teachers along with hard spots and reading material from class XI syllabus also.

These Modules address the significant changes in Curriculum, Assessment Practices. The useful reading material will help you in your classroom Teaching–Learning processes. As Teachers play an important role in implementing all new changes taking place in the curriculum and also the new technologies in the field of education. It will provide an insight on all aspects and stages of project work. A list of suggestive Projects is also given to improve the quality of Projects corresponding to the learning objectives stated by CBSE.

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

I appreciate team of Contributors who have worked tirelessly and brought these Modules in the present shape. Special thanks are extended to the core committee members comprising of Dr. Anand Saxena, Prof. Shipra Vaidya and Mr. Vijay Kumar who have extended me their invaluable inputs for final vetting and editing of Modules.

A tribute goes for the noted Educationist, Minoo Nandrajog, who co-authored NCERT books for school children passed away on Wednesday (23 December, 2015 after brief illness. Nandrajog was working as a Professor of Commerce with the NCERT. During her stint, she helped author books in Business Studies and Finance for school students studying commerce. She was associated with SCERT/DIETs for the last two decade in designing Training Curriculum and Orientation Programs of Teachers of DOE in Commerce. Her vibrancy and involvement in our Programs as Resource Person will be intensely missed as teachers used to relate to her very spontaneously and affectionately. We will miss her intellectual associations in Commerce Education.

I take this opportunity to express a deep sense of reverence and gratitude to Ms. Anita Satia, Director, SCERT, Dr. Nahar Singh, Joint Director, SCERT and Late Dr. Pratibha, Former Joint Director, SCERT for their continuous support and encouragement. I owe special thanks to Dr. Dushyant Kaur, Principal DIET Moti Bagh and all my colleagues; Academic and Administrative Staff for facilitating and extending unconditional support at all stages of completing this assignment. My sincere thanks are extended to Ms. Sunita Rani, Lecturer, DIET, Moti Bagh who has provided her valuable inputs and has been a constant support at all stages of development of these Modules. Special thanks are extended to the team of Contributors, Subject Experts, and their concerned authorities, Faculty of various Colleges

/Institutes, DDEs and Officials of Directorate, Principals and Teachers of Government Schools, Aided / Public Schools for providing valuable suggestions and support at all stages of development of this Modules. I wish all Stakeholders an insightful reading.

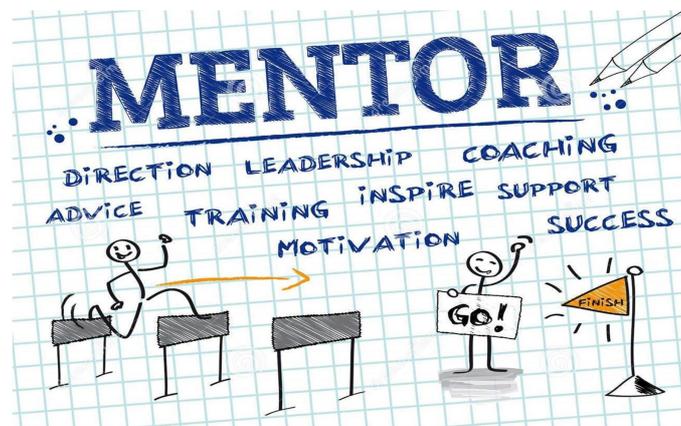
***The observations, suggestions and comments related to the Manual are welcome.***

\*The brief of all Modules are given in the following pages.

**Dr. Seema Srivastava**

## **ABOUT THE MODULES**

**-An Introductory Note**

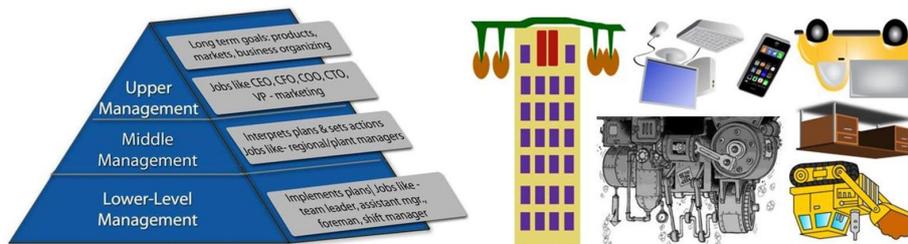
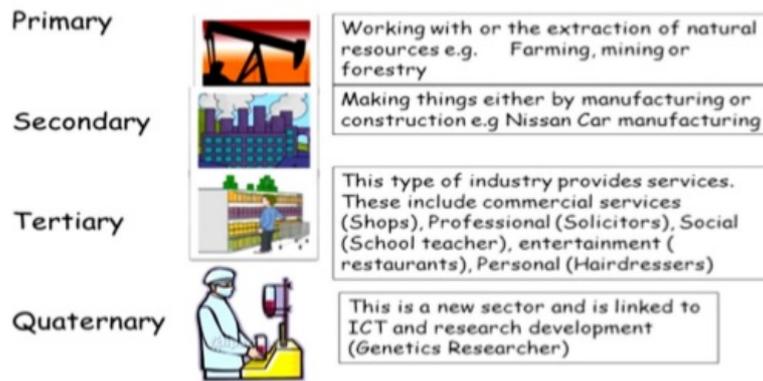


The present enrichment material is integrative in nature and contains 6 Modules and Supplementary handbook for teachers. Each module deals with a different set of selected topics from the senior secondary CBSE syllabus of Commerce, applicable from session 2016-17 onwards. Every Module covers syllabus topics from both Class XI and XII. The topics have been included after a thorough brainstorming with experts and feedback received from in-service teachers of Commerce, especially those recently promoted into teaching of Commerce. Commerce stream draws heavily on subjects like Geography, Civics, History, Mathematics, Languages and so. The principles of Scientific Management by Fredrick Winslow Taylor are based on organisation and Decision Theory. An in depth look will reveal mathematics and statistics are employed in many different areas of Industry, Commerce and Accounting Procedures.

The objective is very clear: to enable the teachers to upgrade their knowledge and develop their capacity to become better facilitators in teaching-learning Commerce. To this end many current related news/ happenings, links to websites, topic wise key terms, photographs / pictures /images, Case Studies, games and projects, guide notes for teachers, Value Based Questions, Life Skills and Higherrorder Thinking Skills (HOTS) have been included in every module. Use of these will surely make every class of commerce abuzz with discussion, debate and activity. Difficult topics have also been explained. Without going overboard, it can be stated to serve as a quick reckoner and repository of related material for teachers.

A brief description of the Modules, divided into topical units, is as follows so teachers can decide to go through these as per their individual requirement and choice. All I modules will be uploaded on SCERT website for reference.

### **Module - I Foundations of Commerce – One Reality, Several Facets**



This contains four units. Unit-1 deals with spectrum of different activities i.e. Industry, Trade and Commerce. For class XI students this is an altogether new experience of understanding business, trade and auxiliaries to trade, various types of activities in which we all keep ourselves busy to satisfy our wants. You will learn in detail about 'Business' as a human activity. Business plays a vital role in our lives, not only by providing us various goods and services but also by offering many opportunities to earn our livelihood. This unit has been designed to help the learner to identify the scope of business activities and to understand the various business activities viz., Industry, Trade & Commerce. Various activities and exhibits are given to make it interesting and it will enable you to relate the text with world of work.

**Unit – II** of Module intends to familiarize the readers with the concept and theory of Management. It also acquaints the reader about the various Principles of Management that have been applied over the years, along with the techniques of Scientific Management. This unit will help readers understand how management enables organization to be successful in achieving their goals. Co-ordination as an essence of Management, Principles of Management and Levels of Management has been discussed with examples. It gives you lot of insights on classroom processes and how to deal Case Studies given in textbook.

In **Unit - III** we sail through the Business aim to earn profit by providing goods and services to the people through using various resources, material resources and non- material. Material resources include Assets like Land & Building, Plant & Machinery, Investments and Funds available with the business etc. The body of knowledge which helps in providing information about the resources available to the business and how efficiently and effectively the available resources have been used by the business is known as accounting. Accounting is considered as the language of the business as it helps in communicating the results of its activities to the various stakeholders interested in such information. The unit elaborates on the meaning and process of preparing the Accounting Equation based on the different transactions.

**Unit - IV** is on Reconstitution of Partnership Firms- on Admission of a New Partner. When firm requires additional capital or managerial help or both for the expansion of its business a new partner may be admitted to supplement its existing resources. The unit exposes you with various accounting treatment on account of this and how to deal with it. Hard spots and illustrations are also taken up.

## Module- I - Unincorporated Businesses

## Hindu Undivided Family



**Unit-I** deals with the Small / Unincorporated Business - Choice of Forms of Business Organisation. Incorporated businesses are formed by following a process of incorporation or registration. We are aware that it is not mandatory to register a firm. Then why include partnership in this module? There are two broad reasons. One is the benefits of registration, secondly and introduction of Limited Liability Partnership (LLP). The unit will enable you to explore here salient aspects of incorporated businesses and accounting issues linked with these ownership forms. Many recent case studies like Amul, Lizzat Papad etc. have been included to relate the various forms for better comprehension of concepts in real business scenario.

**Unit- II** elaborates on Risks, Rewards of Business & Insurance. Business is full of uncertainties. Uncertainties can be of different forms like loss due to change in fashion; fall in market price; goods produced may be destroyed by fire, storm, cyclone, theft etc. Thus, while running a business enterprise, there is an element of risk. Business risk means chance of loss due to uncertain events in future.

Businesspersons are ready to bear these risks because they want to earn profit. In view of the above we can say that in expectation of profit they bear business risks.

In this unit learners will explore about the role of profit in business, various types of business risks and their causes.

All of us have seen shops in the market. In these shops goods are stored for sale. We have seen factories where machines are installed to manufacture products. We know about modes of transportation viz: land water and air which carry goods from one place to another. All these involve lot of money and there is always a risk of loss in transit. The damage may be due to accidents like fire, natural calamities or even riot or theft. Can these risks be avoided or minimized? Is there anything to take care of these risks? The unit exposes you the various types of Insurance including real case studies on settled / disputed to get the clarity of clauses that are practiced. These are exemplar for classroom discussions. You may explore more on your own.

**Unit - III** – Accounting for Unincorporated Businesses, Partnership Firms, Companies & Co-operatives and Limited Liability

Unit exposes readers to the accounting for Unincorporated Businesses (Accounting for Partnership- Reconstitution, Change in PSR & Admission (Special Focus on Cases of Capital Adjustments)

**Unit - IV** covers the details of financing the Business- Sources of Business Finance. Finance is the life blood of any organization. The existence, survival and growth of the business depend on finance. The requirement of the finance in the form of fixed capital and working capital is dependent on its size and scale of operations.

The business can acquire its finance for short-term and long-term through various sources. A careful and effective financial planning will ensure adequate availability of funds at lowest cost and all occasion & utilization of these funds for maximum benefits.

One needs to know about the various options available to them to arrange the required amount of funds (also called capital). In this unit, you will find out the answer to such questions. Having learnt about the need, importance and types of financial requirements, now we must know from where the businessmen get the required amount of funds to meet the short-term, medium term and long term requirements. Who provides them the required amount? You will learn about the various sources from which the businessmen generally arrange money for business purposes.

## Module - III



**Unit-1** – Partnership, Company and Cooperative forms of Business Organisations, Limited Liability Partnership-Variou forms with their merits and demerits are discussed in this unit along with examples and exhibits. History of Companies Act legislated in India and Impact of Companies Act -2013 is included in this unit with ample examples. Cooperative Form of Business -groups of individuals around the world and throughout time have worked together in pursuit of common oals. Examples of cooperation, or collective action, can be traced back to our prehistoric predecessors who recognized the advantages of hunting, gathering, and living in groups rather than on their own are also covered.

**Unit – II** is on the Concept of Corporate Governance–Its Philosophy and Practice.

The concept of corporate governance is not new to India. Many corporations/ companies are known for following the concept of good governance affecting various stakeholders, particularly the vulnerable one in a positive manner. However, corporate governance as a concept in India got prominence in the wake of liberalisation, privatisation and globalisation (L.P.G) policies adopted by the government during 1990s and was introduced by industry representative associations like Confederation of Indian Industries (CII ) as a voluntary measure to be adopted by the Indian companies. Soon it acquired a legal status in early 2000s through the introduction of clause 49 of the listing agreement as all companies, with a particular share capital, listed on stock exchanges were required to comply with these norms of corporate governance.

Good corporate governance standards are essential for the integrity of corporations, financial institutions and markets and have a bearing on the growth and stability of the economy. Over the past decade and a half, India has made significant strides in the areas of corporate governance reforms, which have improved public trust in the market. These reforms have been well received by the investors, including the Foreign Institutional Investors (FIIs). Corporate Governance by Narayana Murthy Committee, Corporate Governance by Narayana Murthy Committee, Excerpts from Corporate Governance at Tata Group, Excerpts from Corporate Governance at Reliance Industries will really enrich you on how these renowned companies philosophise, think, follow and practice Corporate Governance. Various contemporary case studies are also suggested for classroom discussions to build a sound understanding of Corporate Governance.

**Unit - III** deals with Private and Public Enterprises; Change in the role of Public Sector Enterprises in an economy, Public-Private Partnership

India, after independence, has followed the concept of Mixed Economy. Mixed economy consists of Public sector as well as Private Sector. Public Sector in India has been an integral part of growth and development process of its economy. Some public sector enterprises/undertakings (PSUs) have been the backbone of Indian economy. PSUs like Indian Oil, ONGC, BHEL, NTPC etc. have done well for the welfare of the people in an economically efficient and effective manner. Private Sector Enterprises flourished after new economic policy was adopted following principles of LPG i.e. Liberalization, Privatization and Globalization. New business houses emerged after 1990s new economic policy include, Dhiru Bhai Ambani's Reliance Group, Sunil Bharti Mit al's Bharti Group, Narayan Murti's Infosys, Azim Premji's Wipro etc. Some companies are also following the Public-Private Partnership Model which offers benefits of

both sectors. The different case studies and changing role of public sector will catch your attention as to how the sectors are evolving in economy. Public Private Partnership (PPP) is gaining attention to improve upon the quality of infrastructure and services.

**Unit – IV** covers **Accounting** for Partnership Firms – Retirement, Death of a Partner and Dissolution of Partnership.

Accounting for partnership firms is based on the concepts learned in the previous modules related with Partnership Accounting. In this unit, accounting procedures in case of Retirement of the partner/partners from the firm, Death of Partner/partners and in case of dissolution of Partnership firms has been given along with illustrations.

## Module - IV Banking and Finance



**Unit - I** Banking, Banking Transactions: Types of Bank Accounts (Focus on RD & MODS, NEFT)\*, E-Banking, Bank Draft, Bankers' Cheque

Banking: Concepts and Its Emerging Modes elaborate on various activities performed by a businessman while carrying out the business operations are taken up in this unit. Thus, to carry out any business activity successfully, various support services are required. The unit gives you an idea about those services and their operations. In this unit we shall learn about banking which is a main support service for any business.

E-Banking - **Range of services offered by e-banking are:** like Electronic Funds Transfer (EFT), Automated Teller Machines (ATM), Point of Sales (POS), Electronic Data Interchange (EDI), Digital Cash etc. are taken up with specimens/exhibits/ procedures are covered to make it easy to understand. RTGS, NEFT etc. are also explained. FAQs are given in almost each unit along with HOTS and Board questions.

**Unit - II** deals with Sources of Business Finance. Various sources are explained with its merits and demerits.

**Unit – III** deals with Bank Reconciliation Statement. It is necessary for every business organisations to keep a record of their cash and bank transactions in a cash book. The cash book also serves the purpose of both the cash account and the bank account as it shows the balance of both cash and bank at the end of the period.

After the balancing of cash book, it is usual to check its details with the records of the recent bank statement (or a bank passbook) obtained from the bank. A bank statement or a bank passbook is a copy of a bank account as shown by the bank records. This enables the business enterprises to check their funds in the bank regularly and update their own records of transactions that have occurred. The amount of balance shown in the passbook or the bank statement must tally with the balance as shown in the cash book of the business. But in practice, these are generally found to be different. Hence, we have to ascertain the causes for such difference. The unit elaborates on the meaning, need and process of preparing the Bank Reconciliation Statement based on the different transactions causing the differences between two balances. **An exemplar Project on BRS is also given in unit -6 for practice.**

**Unit - IV** is on Accounting for Companies, Shares and Debentures. In class XI the students have already read about the company as a form of organisation, its features, merits and limitation along with types of companies and formation of a company. In this unit some hard spot in accounting for Share Capital and Debentures are discussed. In current academic session CBSE re-introduced topic redemption of debentures by conversion method and in share capital **"Accounting treatment of ESOP"** is also explained in the unit. Stock market is different from a stock exchange which is an entity (a company or Corporation) in the business of bringing buyers and sellers of stock together. i.e., the stock market in the United States includes the trading of stocks listed on the NYSE, NASDAQ and Amex etc. In India, stock

market includes the trading of stocks listed on the BSE, NSE etc. The unit has reading material on Stock Market and Financial Statement Analysis.

## **Module - V International Business and E-Business**



### **Unit - I is based on International Business and Global Enterprises: MNCs and Joint Venture**

With the development of human society and progress in science and technology, the scope of trade has also widened. It has now crossed the geographical boundaries of each country. Today, we can buy goods of our need from other countries and also sell our surplus goods abroad without facing much difficulty. When the business firms of two different countries participate in the process of buying and selling of goods it is termed as External Trade. Meaning and Features of Multi National Corporation (MNCs), Features of Global Enterprises and Joint Ventures are also explained.

### **UNIT- II is on E-Commerce-Emerging Modes of Business, App-Based Businesses.**

In the last two decades the whole business scenario has changed drastically majorly due to technology revolution. The methods of the business are not the same. Most of the traditional business houses have changed their strategy to cope up with the changing business scenario. Even a large number of customers in the market are not going to the markets for satisfying their needs. Now –a - days we can see a number of business houses which are not manufacturing even a single unit themselves but generating a large volume of businesses in the market. Mode of payment has also been changed and now customers in the market have number of options. Present module will discuss the emergence of new modes of business in the market, uses of smart cards and the concept of outsourcing. All this is elaborated in detail with specimen, details and examples /exhibits.

### **Unit - III provides a deeper understanding of New Initiatives and Policies of Government.**

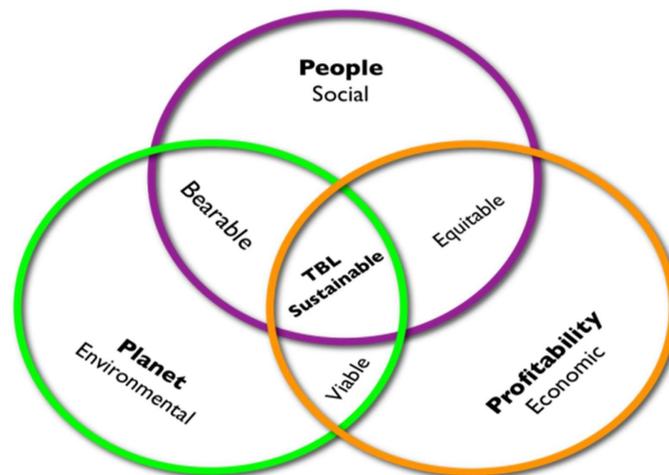
Globalisation is defined as the integration between countries through foreign trade and foreign investments by multinational corporations (MNCs). Integration of production and integration of markets is a key idea behind understanding the process of globalisation and its impact. MNCs have been a major force in the globalisation process connecting distant regions of the world. More and more goods and services, investments and technology are moving between countries. Various Government policies are aimed at addressing the economic problems faced by the Indian economy. They are framed so as to prepare the economy to face the challenges and prepare the same for the new opportunities emerging out of integration of the Indian economy with the world. The unit exposes you with various Government policies and Schemes. Steps to attract foreign investment and benefits of globalisation throw light on Government interest and intent. Make in India , Skill Development, Start Ups and Swacch Bharat, Jan-Dhan Yojna etc. are explained for classroom discussion and debate.

## Unit - IV is on E-Accounting (tally Software)

The aim of this chapter is not to teach an accounting package, but to focus on how the features of accounting software are implemented in cycle can be incorporated in the flow. It also co-relates the manual phases of accounting cycle with each of these modules and describes how different reports can be generated at the end of each of these modules. **Features of accounting software** are explained in this unit.

Tally is an accounts and inventory management software which has many other features too. With the latest version of this software tally 9 you can- do all basic accounting functions.

## Module - VI Business Environment and Sustainable Businesses



### Unit-1 explains Ethical and Environmental Responsibilities of Business-

Understanding Business Environment and Social, Accounting for Sustainable Businesses

This module is integrative in nature. It is integrative in many ways. One, we look at business and business studies in the context of the settings in which they operate. Two, we emphasize that the only in economic terms but also how it contributes toward the development of the society and the conservation of the environment. The opening unit therefore explores the salient aspects of the symbiotic relation environment. Three, it emphasizes that the conventional dichotomy of the economic and social activities is getting blurred. Today we talk of social entrepreneurship and social businesses. In any case, even the Government focuses on efficiency and effectiveness. That is why we have included a unit on Not for Profit Organizations in this module. Fourth, the module contains our suggestions on Students' Project Work to be integrative even as it may emphasize a particular business functionality or environmental issue. The figure on the cover of the module says it all. We zoom it in here to put the module in a better perspective.

It would be too inappropriate to say that the purpose of the business is to earn profits. Business is a social institution and the purpose of business is to help the society in raising its living standards by providing job opportunities, goods and services, technology, expert guidance to the government in making plans and policies.

## Unit - III Accounting for Not-for-Profit Organisations

Every organisation in the society is not set up with the objective of earning profits but with the objective of providing service to its members and the public in general. Such organisations include clubs, charitable institutions, schools, religious organisations, sports club, trade unions, welfare societies and societies for the promotion of art and culture. These organisations have service as the main objective and not the profit as is the case of business organisations. These organisations are managed by trustees who are fully accountable to their members and the society for the utilization of the funds raised. Hence, they also have to maintain proper accounts and prepare the financial statement which take the form of Receipt and Payment Account; Income and Expenditure Account; and Balance Sheet at the end of every accounting year. The unit contains the illustrations on the same to expose you with accounting procedures for such organisations.

### **Unit - III Explains the Functional Aspects of Business (Marketing, Finance and Human Resource- An overview)**

Every organisation has to perform various functions in order to achieve its aims. Similarly business output i.e. goods and services, are the result of a complex mixture of activities. The success and failure of a business are heavily dependent on the effectiveness and efficiency of these functions. **Finance, Human Resources, Production and Marketing** of the products are some of the most important functions which business organisations have to keep in mind. The unit contains the cases based on these three aspect for an intensive classroom activity based on the analysis of each case by students in group activity followed by presentations .The deliberations wil develop analytically ability among students and it wil enable them to understand the case studies better from boards point of view as per the changed pattern of Paper. **The unit further establishes the interconnectedness of the three - Marketing, Finance and Human Resource.** Your role as teacher is most crucial to channelize and consolidate the presentations by students for clarity and comprehension of the three major functions. In the end the Exemplar SWOT method of Skoda is given to orient students to use this as analyzing the other case studies .You should encourage students to look for such cases and bring to classroom for debate and discussions.

### **Unit - IV provides the essentials and process of initiating authentic and original Project Work in Commerce.**

NCF 2005 focuses on bringing the textbooks closer to the world of work. With the objective to impart application based insights the Project Work was introduced by CBSE in the Commerce Curriculum at the Senior Secondary Level.

The present unit also deals with the QUESTIONING SKILLS which wil expose you to interesting content and examples. It wil enable you to polish your own Skills to practice effective teacher–learning processes. In the course of various stages of developing the project, students have to be oriented to gather data and conduct interviews etc. The students should be encouraged to develop scientific temper as well as the confidence and communication Skills to interact with various parties in the course of field research.

Data collected by the students should be subject to objective analysis and interpretation, for inferring unbiased conclusions. At every stage, teachers should help students to hone correct attitude and values for the task. In class XI, project work involves **field visits, case studies, import export procedures** and so for class XII , the projects include topics related to **Principles of Management, Business Environment, Stock Exchange and Marketing Management.**

Later in the unit Questioning Skills, Bloom’s Taxonomy and Higherrorder Thinking Skills are also explained with ample Examples.

The 6 Modules as briefly described above are support material and teachers wil gain by making use of these in their class. It should be clear that in no way at all this is an exhaustive material. It is meant to complement and not substitute the text books. This is a teacher’s teaching aid. Using this wil surely make your students look forward to their Commerce class!

### **Supplementary Handbook for Teachers of Commerce**

This contains the syllabus for the year 2016-17, CBSE Board Papers including Marking Scheme of CBSE Papers. Sample Paper of CBSE for the year 2016-17 is also included. Common Errors committed by the students are also detailed out to provide you an insight to prepare students to score better. The genuineness and authenticity of the

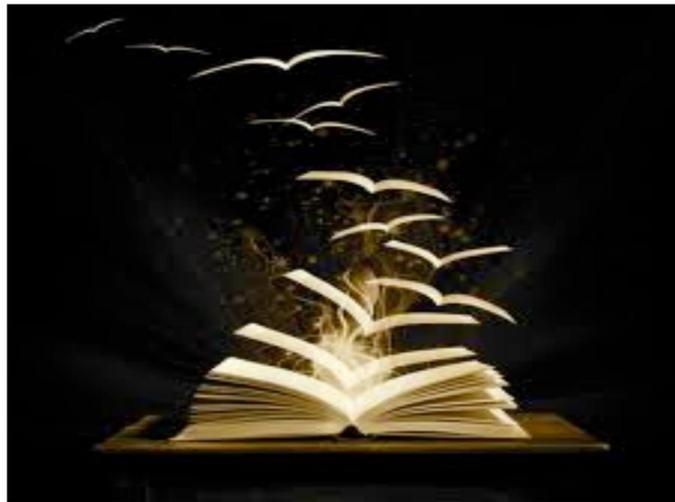
project work largely depend on teachers' guidance and monitoring. As far as possible, project work should be executed in school, under the teacher's guidance and facilitation. The different aspects of Project formulation and different stages of project have been addressed in form of Frequently Asked questions (FAQs). You will be amazed to find out what you teach in theory will enable students to find meaningful application in daily newspapers. This will also develop the habit of reading newspapers among students and sharpen their analytical ability too.

It would be our endeavour to bring back the glory to this noble task of teaching and meaningfully contribute to effective teaching- learning processes to make the students globally competitive. All the best and hope that creativity of users of these modules gets inspired to take flight beyond this resource. Take this with the same zeal and compassion to make the teaching of Commerce joyful and meaningful.

Your observations, comments and suggestions on the Modules are welcome.

**Dr. Seema Srivastava**

## **Welcome On board!**



The picture above depicts paper planes flying all over. Imagine being greeted by the students on the First day. As a commerce teacher in the class room what would you call it? **A disaster or the commencement of a great innings ?** A teacher chooses later option by greeting back the learner with praise. Yes, plain paper does not fly: it is only when they are folded in specific angles, following the principles of aerodynamics that makes them fly. It is great to know that your learners are aware of this. The issue is how to leverage the learners' awareness and lead them to an exciting journey of exploring the subject they have chosen. Let us begin with study of-

- Principles of learning facilitation;
- Learners are more aware than we presume them to be;
- Every bit of learning needs to be celebrated with a reward;
- Learning is cumulative. What we learn in kindergarten adds up to what we learn in primary classes and so on;
- All learners are blessed with six able servants- what, Why, When, How, Where and Who;
- One may embark upon one's explorations in any subject from starting point.

One just has to let go!

# ENABLING LEARNERS' EXPLORATIONS IN BUSINESS STUDIES AND ACCOUNTING

## MODULE- 5

### INTERNATIONAL BUSINESS AND E-BUSINESS

**Unit - I Firm Internationalization Process**

**Unit - II E-Commerce-Emerging Modes of Business, App-based Businesses**

**Unit – III New Initiatives and Policies of Government**

**Unit – IV E-Accounting (Tally Software)**

#### Unit – I

#### Firm Internationalization Process

**(International Business and Global Enterprises: MNCs and Joint Venture)**

#### **Abstract**

With the development of human society and progress in science and technology, the scope of trade has also widened. It has now crossed the geographical boundaries of each country. Today, we can buy goods of our need from other countries and also sell our surplus goods abroad without facing much difficulty. When the business firms of two different countries participate in the process of buying and selling of goods it is termed as External Trade. Now you think yourself, is there any difference in the nature and procedure of this type of trade from the type of trade about which we have already learnt in the previous modules? Now let us try to find out the answer to such questions.

#### **Key Terms**

Multinational Corporation

Foreign company

Global Enterprise

International Business

Specialisation

Entrepot

Invisible Trade

Centralised

Worldwide

International Market

Foreign Exchange

Innovation

## Learning Outcomes

After studying this unit, Learners will be able to:

- Define the term 'International Business';
- Describe the types of International Business;
- Identify the global enterprises;
- Explain the various features of multinational enterprises;
- State the advantages of multinational enterprises;
- State the meaning of Joint Venture;
- Describe the various features of Joint Ventures.

## INTERNATIONAL BUSINESS

We know that no country in the world possesses everything that is needed by its people. So they all have to depend on others to meet their requirement of certain items. It is also observed that some countries attain specialisation in production of certain products by virtue of adopting advanced technology while others find it difficult or expensive to produce it in their own country. They prefer to buy those products from the former. Thus, uneven distribution of natural resources and specialisation attained in production of certain items give rise to exchange of goods and services between different countries. Such exchange is termed as "External Trade". It is also known as Foreign Trade or International Business.



**Exhibit 1: International Business**

**For example**, a country may be rich in iron and steel but poor in aluminum. So it has to meet its requirement of aluminum from countries with surplus production of aluminium. Not only that, the countries having excess production of certain items find it beneficial to sell them to some other countries and buy items in which they are deficient from others.

### Foreign trade or International trade

When buying and selling of goods take place across the national boundaries of different countries it is called

External trade. It is also known as Foreign trade or International trade.

### Types of International Business

On the basis of sale and purchase of goods and services, International business can be divided into three kinds. These are: (a) Import trade (b) Export trade (c) Entrepot trade

Let us discuss in detail about them.

**(a) Import Trade:** When the business firm of a country purchases goods from the firm of another country, it is called Import trade. For example, when India Govt. purchases petroleum products, electronic goods, gold, machineries, etc., from other countries it is termed as import trade.



**Exhibit 2: Export & Import are two part of International Business**

**(b) Export Trade:** When the firm of a country sells goods to a firm of another country, it is called Export trade. For example, the sale of iron and steel, tea, coffee, coal, etc. by Indian companies to other countries is known as its export trade.

**(c) Entrepot Trade:** When the firm of a country imports goods for the purpose of exporting the same to the firms of some other country with or without making any change, it is known as entrepot trade or re-export trade for that country. For example, if an Indian company imports rubber from Thailand and exports it to Japan then it is called Entrepot trade for India.

### Visible and Invisible Trade

Visible trade refers to imports and exports of tangible goods, whereas invisible trade of a country includes services received from other countries or services rendered to other countries. Shipping and insurance services, services to foreign tourists, services of foreign technicians, interest on loans etc., are some of the example of invisible trade.

### Global Enterprises

In our day-to-day life we use different goods of Indian as well as foreign origin. The foreign goods are either imported to our country or these goods are produced in our country by the foreign companies. We must be thinking why foreign companies are coming to our country. Actually they came to India to produce goods and services and/or to sell their products. Similarly, Indian Companies are also extending their business operations across the boundaries of our country. This is called globalization, which means extension of economic activities across the boundaries of a country in search of worldwide market.



**Exhibit 3: Showroom of a Multi-National Company**

## Meaning and Features of Multinational Corporation

A multinational corporation (also termed as multinational company or global enterprise) is one which is registered as a company in one country but carries on business in a number of other countries by setting up factories, branches or subsidiary units. Such a company may produce goods or arrange services in one or more countries and sell these in the same or other countries.

We might have heard about many Multinational Corporations (MNCs) running business in India, Hyundai Motor Company, Coca Cola Company, Sony Corporation, McDonald's Corporation, Citi Bank, etc. All these corporations generally have production, marketing and other facilities in several countries. Their volume of sales, profits earned, and also the value of assets held by them is generally very large. They have set up their branches and subsidiary units in our country and also in other countries. They are controlled from the headquarters of these companies in the home country, which lay down broad policies to be pursued.

## Features of Global Enterprises (MNCs)

The main features of the multinational company are the following:

- 1. Centralised Management:** A multinational company has its headquarter in the home country. It expands its business in other countries by opening branches and subsidiary companies in other countries. The management of the business being carried out in other countries is in the hands of the head office. All the branches and subsidiaries have to work according to the policies laid down by the head office.
- 2. Worldwide Spread of Business:** The business of the multinational company is spread in many countries. This company fully exploits the local conditions prevailing in the host countries. This includes the availability of cheap labour and the use of raw material.
- 3. Better Quality Products:** A multinational company has to compete on the world level, it has, therefore, to pay special attention to the quality of its products.
- 4. Large Size:** A multinational company has huge assets. The value of the assets of MNCs is generally high.
- 5. Access to International Market:** A multinational company easily establishes its identity in the international market because of its many products, good quality, research on a large scale, good marketing facilities, etc.
- 6. Special Attention to Advertisement:** A multinational company pays special attention to advertisement. That is the secret of its success.

## Advantages of Multinational Corporation

The Multinational Corporations enjoy several advantages by way of huge earnings due to large-scale production and distribution activities across national borders. Besides, the host countries in which the Multinational Corporations operate also derive a number of advantages. These are:

- 1. Investment of Foreign Capital:** Direct investment of capital by Multinational Corporation helps under-developed countries to speed up their economic development.
- 2. Generation of Employment:** Expansion of industrial and trading activities by Multinational Corporation leads to creation of employment opportunities and raising the standard of living in host countries.
- 3. Use of Advanced Technology:** With substantial resources Multinational Corporation undertake Research and Development activities which contribute to improved methods and processes of production and thus, increase the quality of products. Gradually, other countries also acquire these technologies.
- 4. Growth of Ancillary Units:** Suppliers of materials and services and ancillary industries often grow in host countries as a result of the operation of Multinational Corporation.
- 5. Increase in Exports and Inflow of Foreign Exchange:** Goods produced in the host countries are sometimes exported by Multinational Corporation. Foreign exchange thus earned contributes to the foreign exchange reserves of host countries.

**6. Healthy Competition:** Efficient production of quality goods by multinational corporations prompt the domestic producers to improve their performance in order to survive in the market.

### Limitations of Multinational Corporation

The advantages discussed above are no doubt beneficial to host countries. But there are several limitations of multinational corporations, which we should take note of:

**1. Least Concern for Priorities of Host Countries:** Multinational corporations generally invest capital in the most profitable industries and do not take into account the priorities of developing basic industries and services in backward regions of the host country.

**2. Adverse Effect on Domestic Enterprises:** Due to large-scale operation and technological skills, multinational corporations are often able to dominate the markets in host countries and tend to acquire monopoly power. Thus, many local enterprises are compelled to close down.

**3. Change in Culture:** Consumer goods, which are introduced by multinational corporations in the host countries, do not generally conform to the local cultural norms. Thus, consumption habits of people as regards food and dress tend to change away from their own cultural heritage.

### Joint Venture

Joint venture is a form of business, where two or more independent firms contribute capital and participate in business operations, these two organisations may be private or government organisations or a foreign company.

In joint venture, business concerns join together for a specified purpose. It facilitates pooling funds, technical knowhow & managerial skills. The rewards and risks will be shared by the concerns in joint venture e. g. Maruti Suzuki India Ltd. is a joint venture concern.

### Features of Joint Venture

**1. Access to advanced Technology:** When two or more companies join together, there can be access to latest techniques of production. This will lead to cost reduction and improvement in quality and increased production.

**2. Optimum Use of Capital:** Joint Venture helps in the optimum utilisation of capital. There will be least wastage of capital and other resources.

**3. Pooling of Resources and Expertise:** The resources of two or more companies can be effectively pooled by forming a joint venture. This helps in large scale production and can avail economies of large scale production.

**4. Innovation:** In the highly competitive market, the ideas and technology of two enterprises will help to innovative new ideas and products.

**5. Sharing of Risk and Reward:** The enterprises which join hands to form joint venture will share the reward in the form of increased profit. The partners in joint venture have to share the risk that may occur in business.

### Let's Sum Up

■ **Multinational Corporation:** A business unit that is registered as a company in one country but carries on its business in a number of other countries by setting up factories, branches and subsidiary units is called a multinational corporation.

■ **Merits of Multinational corporation :**

1. Investment of foreign capital;
2. Generation of employment;

3. Use of advanced technology;
4. Growth of ancillary units;
5. Increase in exports and inflow of foreign exchange;
6. Healthy competition with domestic companies

▀ **Limitations of multinational corporations :**

1. Least concern for priorities of host countries;
2. Adverse effect on domestic enterprises;
3. Change in culture of the people.

▀ **Joint Venture**

A joint venture is an enterprise set up jointly by two or more business concerns. It helps in pooling the funds, technical knowhow and managerial skills.

↖

**Features of Joint Venture**

1. Access to advanced technology
2. Proper use of capital,
3. Pooling of resources, expertise,
4. Innovation
5. Sharing of risk and reward

**Frequently asked Questions**

1. What do you mean by International Business?
2. What are various forms of International Business?
3. State the general features of Multinational Corporation.
4. A form of business organisation that has been set up jointly by two different business firms is known as:
  - a) Sole proprietorship
  - b) Joint venture
  - c) Co-operative society
  - d) Public company
6. What are the merits of Export and Import?
7. Why Multinational Corporations or companies important for Economic Development?

## UNIT - I

### E-Commerce-Emerging Modes of

# Business, App-Based Businesses

## Abstract

In the last two decades the whole business scenario has changed drastically majorly due to technology revolution. The methods of the business are not the same. Most of the traditional business houses have changed their strategy to cope up with the changing business scenario. Even a large number of customers in the market are not going to the markets for satisfying their needs. Now days we can see a number of business houses which are not manufacturing even a single unit themselves but generating a large volume of businesses in the market. Mode of payment has also been changed and now customers in the market have a number of options. Present module will discuss the emergence of new modes of business in the market, uses of smart cards and the concept of outsourcing

## Key – words

- E- commerce, E- business, Outsourcing
- Business Process Outsourcing, Knowledge Process Outsourcing
- Smart Cards, ATM's

## Learning Outcomes

After reading this unit, the learners will be able to:

- explain the meaning and scope of e-business.
- appreciate the benefits of e-business
- differentiate between e-business and traditional business.
- explain the process of online buying and selling as a part of e-business.
- examine the major security concerns of electronic mode of doing business
- state the methods of secure and safe business transaction
- explore the concept, scope and need of outsourcing.
- discuss the meaning of business process outsourcing and knowledge process outsourcing
- state the meaning of smart cards and ATM's
- appreciate the utility of smart cards and ATM's

## Introduction

Before we start, an activity has been given for you below

### Activity

1. In last two years how many of you have purchased goods online?
2. Which mode of payment you have used?
3. What are benefits of buying goods online?
4. What are the risks associated with buying goods online?
5. What precautions should be taken while doing online transactions?

## E – Commerce

E – commerce covers outward – facing processes that touch customers, suppliers and external partners, including sales, marketing, order taking, delivery, customer service, purchasing of raw materials and supplies for production and procurement of indirect operating – expense items, such as of ice supplies.

# E-COMMERCE

Exhibit 1: E-Commerce

## E - Business

E-business stands for Electronic- business. E-business means business using electronic means. E-business may be defined as conducting of activities of industry, trade and commerce using computer network and internet.

E-business includes e-commerce but it also covers internal processes such as production, inventory management, product development, risk management, finance, knowledge management and human resources.



Exhibit 2: E-business involves online buying and selling

## Scope of E- Business

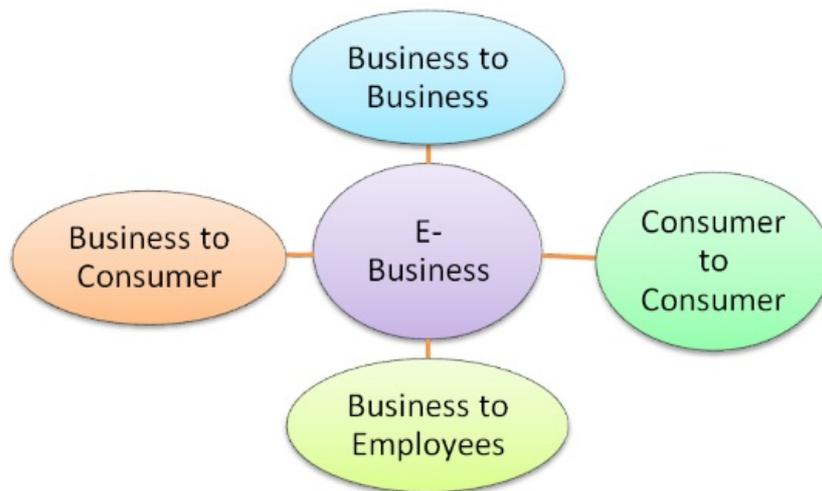


Figure 1: Scope of E- Business

## What is Consumers to Consumers (C2C)?

Abbreviation for consumer-to-consumer commerce; that is, commerce with no middle business people. The most notable examples are Web-based auction and classified ads sites. Most large venues for such models (for example, eBay and Classifieds2000) are quickly permeated by consumers who participate so actively and regularly that they become small businesses for them.

The Internet has facilitated new types of C2C although it is important to note that this kind of commerce has existed since time immemorial. Notably, most of the highly successful C2C examples using the Internet actually use some type of corporate intermediary and are thus not strictly "pure play" examples of C2C.

## Business to Business (B2B)

B2B stands for "business-to-business," as in businesses doing business with other businesses. The term is most

commonly used in connection with e-commerce and advertising, when you are targeting businesses as opposed to consumers.

On the Internet, B2B (business-to-business), is the exchange of products, services, or information between businesses. B2B is e-commerce between businesses. Business- to-business electronic commerce (B2B) typically takes the form of automated processes between trading partners and is performed in much higher volumes than business-to- consumer (B2C) applications.

### **Business to Consumers (B2C)**

Refers to businesses selling products or services to end-user consumers.

B2B stands for transaction activities involving two business entities (business-to- business transaction). B2C stands for transaction activities involving a business and a consumer (business-to-consumer transaction).

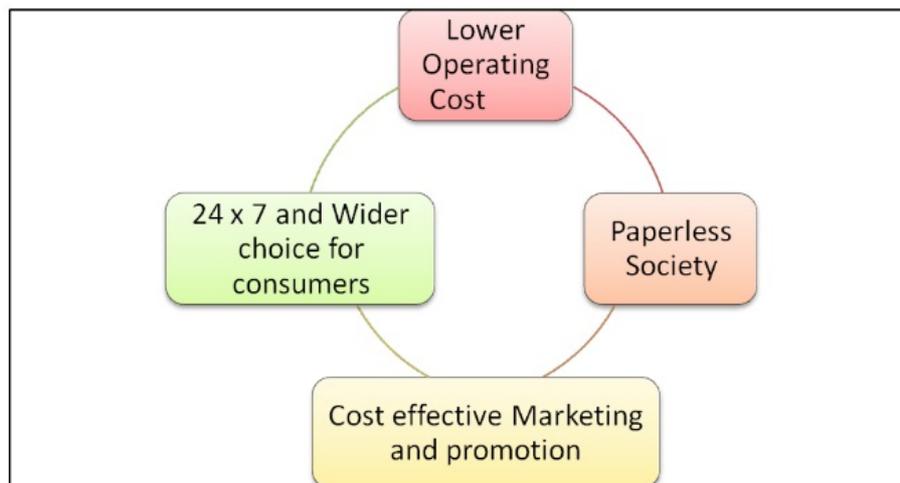
Electronic commerce comprises commercial transactions, involving both organisations and individuals. From the technical point of view e-commerce is the processing and transmission of digitised data. E-commerce decreases the distance between producers and consumers. Consumers can make their purchase without entering a traditional shop.

### **Business to Employees (B2E)**

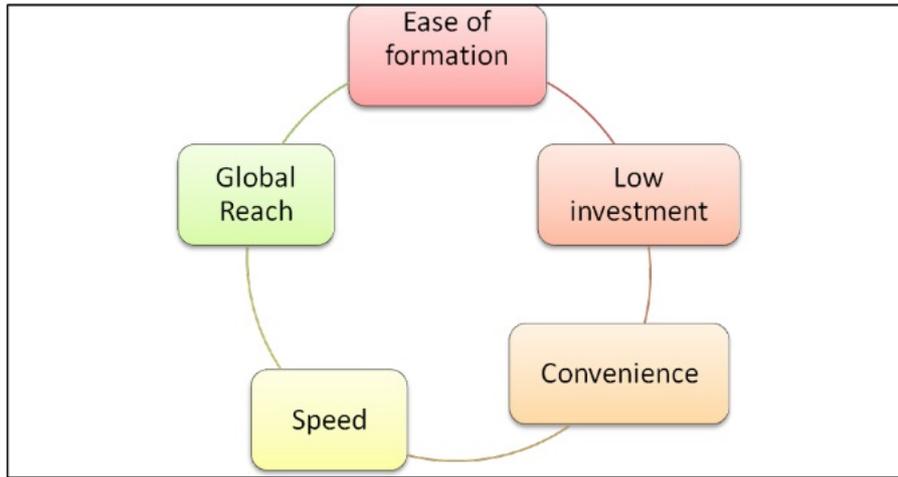
Short form for business-to-employees. It is also known as Intra B Commerce (Intranet). B2E is the idea that parties within a business can use central Web sites to exchange information and interact with each other more ef iciently than they usually can off the Web.

Employees can work from place of their choice, at their own speed and as per their convenience. Business meetings can be held online through tele / video conferencing. It takes offices to employees instead of employees to offices.

### **Benefits of E-Business**



**Figure 2: Benefits of E-Business**



### Difference between E-Business and Traditional Business

Basis of Difference	E-Business	Traditional Business
Physical Presence	Not Required	Required
Operating cost	Less	High
Formation	Simple and less time consuming	Difficult and time-consuming
Location Requirements	None	Better location better prospects
Cost of Setting up Business	Low	High
Response Time	Instant	Long due to Hierarchy
Contact with suppliers and customers	Direct through Internet	Indirect through intermediaries
Length of Business cycle	Shorter due to simultaneous processes	Longer due to sequential precedence-succession relationship
Global Business opportunities	Easy as no regional or national boundaries	Difficult due to formalities and huge investments
Government patronage	Higher	Shrinking
Nature of Human Capital	Technically and professionally qualified	Can work even with semi-skilled and even unskilled
Transaction risk	High due to distance and identity of parties	Low due to direct contact between parties

### Merits and Limitations of E-business to various stakeholders

#### Process of Online Buying

Process of buying online has become so simple that anyone having internet and computers can buy products available for sale online. This has been possible due to wide availability of mobile technology. The steps of the online buying process has been given below:

#### Step 1: Go to Any Online Store



## Step 2: Select An Item To Purchase



Apple iPhone 6 (Gold, 16GB)

★★★★☆ (648)



Colour  
**Gold**

Submit



>

Size name  
**16GB**

Submit

>

## Step 3: Add Item to Shopping Cart



amazon



Inclusive of all taxes

**In stock.**

Sold by [TechFone](#) (4.2 out of 5 | 8,649 ratings) and Fulfilled by Amazon. Gift-wrap available.

Enter pincode of your delivery location

Delivery to pincode 110089 within **2 - 4 business days.** [Details](#)



Buy Now



Add to Cart

Add to Wish List

**Step 4: Login**



amazon



Cart Subtotal (1 item): ₹44,775.00

Proceed to Checkout

✓ FREE Delivery on orders over Rs. 499 of eligible items.

This order contains a gift



100% Purchase Protection

Genuine Products | Secure Payments | Easy Returns

▶ EMI Eligibility



Apple iPhone 6 (Gold, 16GB)

₹44,775.00

You save: ₹11,225.00 (20%)

In stock

Sold by TechFone

FREE Delivery on orders over

Rs 1000



Step 5: Validate User Information



< Back

Full name

Address Line 1 (or company name)

Address Line 2 (optional)

Town/City

State

Pincode

Mobile number

India



The screenshot shows the Amazon mobile app interface for entering a delivery address. At the top, there is a navigation bar with a hamburger menu icon on the left, the Amazon logo in the center, a search icon on the right, and a shopping cart icon with a notification badge. Below the navigation bar, there are three input fields stacked vertically: "State", "Pincode", and "Mobile number". Below these fields is a dropdown menu currently showing "India". Underneath the dropdown is a section titled "Additional Address Details" with an upward-pointing chevron icon. This section contains two more input fields: "Landmark" and "Select an Address Type" with a dropdown arrow. At the bottom of the form is a large yellow button with the text "Deliver to this address".

**Step 6: Choose your Delivery Option**



## Choose your delivery options

### Choose a delivery speed



**FREE Delivery on orders over Rs. 499** – Get it between 25 - 26 May



**Guaranteed Two-Day Delivery at Rs.49 per order** – Get it by Saturday, 23 May



**Guaranteed One-Day Delivery at Rs.99 per order** – Get it by Tomorrow, 22 May

Continue

### Step 7: Enter Payment Information



## Select a payment method

Continue

Credit card

Debit card

Net Banking

**Cash on Delivery (COD)**  
To review your order, click  
**Continue.**

Gift Cards & Promotional Codes

### Step 8: Confirm Your Order

amazon

By placing your order, you agree to Amazon.in's [privacy notice](#) and [conditions of use](#).

**Important message**

Check this box to default to this delivery address in the future.

**Order Summary**

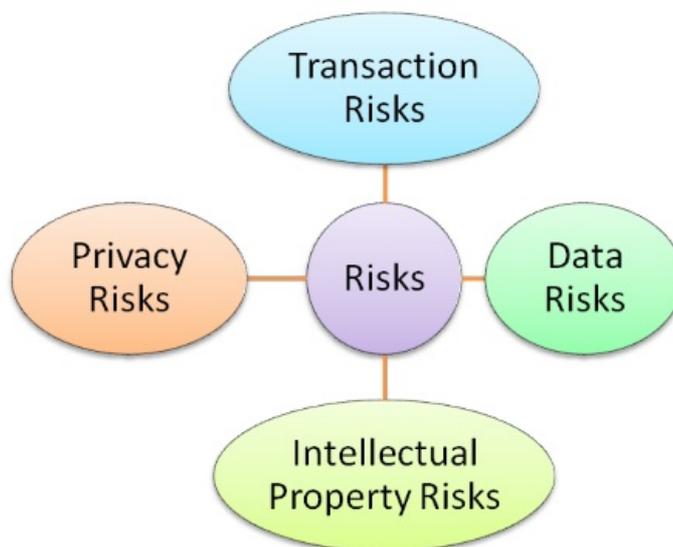
Shipping to:  
**Rajesh Kumar, C - 1/ 23 ...**  
 Estimated delivery:  
**25 May 2015 - 26 May 2015**

Items:	₹44,775.00
Delivery:	₹0.00

Place your order

**Major security concerns of electronic mode of doing business**

E-business offers lots of convenience but at the same time, some concerns also arise out of it.



## Transaction Risks

- = Default on Order Taking and Giving
- = Default on Delivery
- = Default on Payment

## Data Risks

- = Data Storage Risks:
  - = Risks of Hacking, Virus etc.
  - = Protection by using good quality antivirus software
- = Data Transmission Risks:
  - = For avoidance use Cryptography
  - Information can be retrieved only with the help of a secret key

## Intellectual Property Risks and Privacy Risks

The risk of using the information by other persons as once information is made available on the Internet, it becomes difficult to protect it from others.

## Become informed user of online transaction

### SECURITY TIPS FOR TRANSACTION

#### 1. DOs :

- ⚠ Make sure that you are on secured website.
- ⚠ Choose your password that cannot be decoded easily.
- ⚠ Delete browser settings, history and cookies after logout.
- ⚠ Always logout.
- ⚠ Check monthly bank account statements, and check credit card statements carefully.



**Exhibit 3: Do's for secure and safe business transactions**

### SECURITY TIPS FOR TRANSACTION

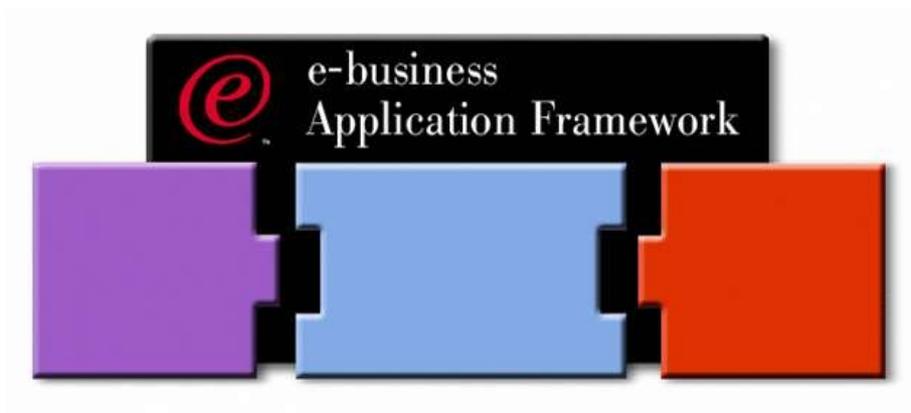
#### 1. Do Not :

- ⚠ Disclose personal information such as credit card no.
- ⚠ Leave other browser open.
- ⚠ Download or open files from unknown sites.
- ⚠ Disclose PIN Id, Passwords, CC numbers in respond to unverified senders.



**Exhibit 4: Don'ts for secure and safe business transactions**

## **E-business infrastructure**



**Exhibit 5: Infrastructure for E-business**

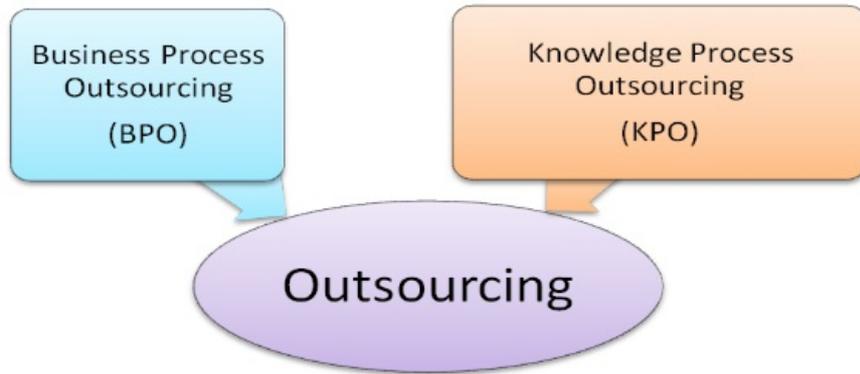
### **Resources required for implementation of a successful e-business**

1. Computer Hardware
2. Technical and Qualified Staff
3. Well-designed and secured (https://) Official Website
4. Internet Connection

### **Outsourcing**

Contracting of non-strategic activities to third Parties specialists. This may also be defined as any assistance from an intermediary that is more capable of or familiar with certain practices than us. It is just a way of seeking for help. Outsourcing is said to help firms to perform well in their core competencies and mitigate shortage of skill or expertise in the areas where they want to outsource.

### **Types of Outsourcing**



**Figure 4: Types of Outsourcing**

### **Business Process Outsourcing (BPO)**

- = It is the sub-contracting of the operations and responsibilities of specific business functions/ processes to a third party.
- = Activities relating to BPO:
  - = Financial and Administration Processes
  - = Human Resources Functions
  - = Cal Center
  - = Factoring Facility
  - = Advertising Agencies
  - = Customer Care Services etc.

### **Knowledge Process Outsourcing (KPO)**

A form of outsourcing in which high tech knowledge and information related work is carried out by workers in a different company or by a subsidiary of the same organization. KPO is a continuation of BPO related with the business activities that requires more skill , knowledge, education and expertise to handle.

Activities relating to KPO :

- = Research and Development
- = Financial Consultancy and Services
- = Advanced Web Applications
- = Business and Market Research
- = Training and Consultancy
- = Legal Services
- = Medical Services etc.

### **Need for BPO and KPO**

- = Focusing of attention on core sectors
- = Improves Productivity
- = Cost Reduction
- = Quest for excellence
- = Growth through alliance

### **Smart Cards**



**Exhibit 6: Smart Card**

- ⇒ A Smart Card is a device that includes an embedded integrated circuit (I.C.) that can be either a secure microcontroller or equivalent intelligence with internal memory or a memory chip alone. IC of Smart Card is used for storing data and it can be used with a smart card reader.

### **Uses of Smart Cards**

Smart Cards can be used for :

- ⇒ Credit Cards
- ⇒ Satellite TV
- ⇒ Wireless Communication
- ⇒ Electronic purse
- ⇒ Health care
- ⇒ ID Verification and Access control

### **ATM's**



**Exhibit 7: ATM Machines**

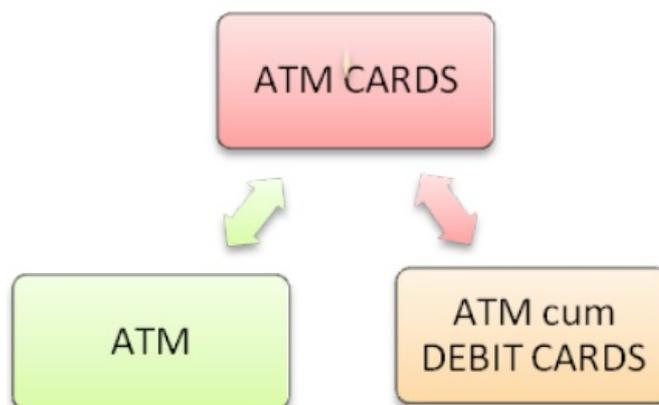
ATM stands for Automated Teller Machine. An ATM is an Electronic telecommunication device that enables the customers of a financial institutions to perform financial transactions, particularly cash withdrawal, without the need for a human cashier, clerk or bank teller.

On most modern ATMs, the customer is identified by inserting a plastic ATM Card with a magnetic stripe or a plastic card with a chip that contains a unique card number and some security information such as expiration date or CVV. Authentication is done by customer by entering a personal identification number (PIN).

### **ATM CARD**

An ATM card is any payment card issued by a financial institutions that enables a customer to access an ATM in order to perform transactions such as deposits, cash withdrawals, obtaining account information etc.

### **TYPES OF ATM CARDS**



### **TYPES OF ATM CARDS**

- = ATM CARDS: Such cards can be used for withdrawal cash from ATMs
- ATM cum DEBIT CARDS: Such cards can be used for withdrawal cash from ATMs as well for making Payments at POS.



**Exhibit 8 : Plastic money empower people**

### **Uses of ATM Cards**

ATM Cards can be used for the following purposes

- = Cash withdrawals
- = Cash deposits
- = Balance inquiry
- = Mini statement of Account
- = Fund transfer
- = Online shopping
- = Making payments at POS
- = Mobile / DTH recharge etc.





**Exhibit 9: Convenience is the key term while using Smart Cards**

## UNIT - III

### New Initiatives and Policies of Government

#### Abstract

Globalisation is defined as the integration between countries through foreign trade and foreign investments by multinational corporations (MNCs). Integration of production and integration of markets is a key idea behind understanding the process of globalisation and its impact. MNCs have been a major force in the globalisation process connecting distant regions of the world. More and more goods and services, investments and technology are moving between countries. Various government policies are aimed at addressing the economic problems faced by the Indian economy. They are framed so as to prepare the economy to face the challenges and prepare the same for the emerging opportunities emerging out of integration of the Indian economy with the world economy.

#### Key Terms

- $\gamma_{\lambda}$  Demographic Dividend
- $\gamma_{\lambda}$  Informal Sector
- $\gamma_{\lambda}$  Informalisation employment
- $\gamma_{\lambda}$  Free Trade Agreement (FTA)
- $\gamma_{\lambda}$  Special Economic Zones (SEZs)
- $\gamma_{\lambda}$  Social security schemes
- $\gamma_{\lambda}$  Goods and Service Tax (GST)
- $\gamma_{\lambda}$  Value-added Tax (VAT)
- $\gamma_{\lambda}$  Human Development Index (HDI)

#### Learning Outcomes:

- $\gamma_{\lambda}$  have the knowledge of leading global issues.
- $\gamma_{\lambda}$  learn the goals of Government policies.
- $\gamma_{\lambda}$  be able to analyse the Government policies and its impact on the economy

## Demographic Dividend:

India is the youngest country in the world. One of India's competitive advantages is its demographic dividend. Demographic dividend occurs when the proportion of working people in the total population is higher. This indicates that more people have the potential to be productive and contribute to growth of the economy.

**Informal Sector:** The sector encompasses all jobs which are not recognised as normal income sources, that is neither taxed, nor monitored by any form of government regulations.

**Informalisation of employment:** The number of people engaged in informal employment outside the ambit of labour laws. They do not enjoy any benefits of social security schemes of the government meant for those employed formally such as gratuity, sick leave, accidental benefits and even death benefits to the kins.

**Free Trade Agreement (FTA):** A free trade area is the region encompassing a trade bloc whose member countries signed an agreement involving at least two countries to reduce trade barriers-import quotas and tariffs-and to increase trade of goods and services with each other.

**Special Economic Zones (SEZs):** It is an area in which business and trade laws differ from the rest of the country. Its aim is to increase trade, increased investment, job creation and effective administration.

**Social security schemes:** These schemes are meant to ensure equal opportunities, equity, social justice and empowerment of disadvantaged sections of the society.

**Goods and Services Tax (GST):** Goods and services tax is a form of value-added tax levied on most goods and services sold for domestic consumption.

**Value-added Tax (VAT):** It is a tax assessed on the value added to goods and services. This tax is levied at different stages of production, and only on the value added component of that stage.

**Human Development Index (HDI):** It is a composite statistic of life expectancy, education, and income per capita indicators, which are used to rank countries on the basis of the level of human development.

**Voluntary Disclosure of Income Scheme (VDIS):** A scheme by the Government of India to disclose voluntarily the income, particularly in the form of the black money, to the Income Tax authorities. Income tax or penalty on such income could be as high as 30 percent of the disclosed black money.

## Introduction

Globalisation has been facilitated by several factors. Three of these have been highlighted:

1. Rapid improvements in technology,
2. Liberalisation of trade and investment policies and,
3. Pressures from international organisations such as the WTO.

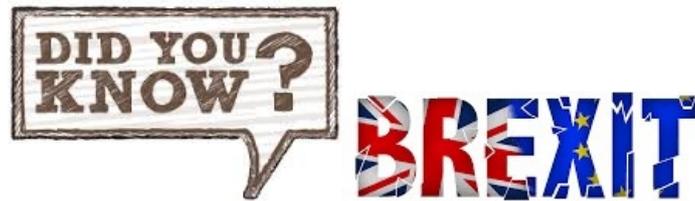


**Exhibit 1: World Trade Organisation Logo**

Rapid improvement in technology has been one major factor that has stimulated the globalisation process. For instance, the past fifty years have seen several improvements in transportation technology. It represents liberalisation of foreign trade and foreign investment policy. Even more remarkable have been the developments in information and communication technology.

World Trade Organisation (WTO) is one such organisation whose aim is to liberalise international trade. Started at the

initiative of the developed countries, WTO establishes rules regarding international trade, and sees that these rules are obeyed. these people today, enjoy much higher standards of living than was possible earlier.



Brexit is an abbreviation of "British exit", which refers to the June 23, 2016 referendum by British voters to exit the European Union (EU). United Kingdom (UK) or British exit (Brexit) would be a major negative shock to the UK economy, with economic fall out in the rest of the OECD, particularly other European countries. UK economy would be hit by tighter financial conditions and weaker confidence and, after formal exit from the European Union, higher trade barriers and an early impact of restrictions on labour mobility. In particular, labour productivity would be held back by a drop in foreign direct investment and a smaller pool of skills. The following channels would operate:

- Heightened economic uncertainty would reduce confidence, holding back spending decisions, and tighten financial conditions by lifting risk premia, thus increasing the cost of finance and reducing its availability.
- A danger is that large capital outflows, or a break in inflows, might threaten the financing of the record-high current account deficit of 7% of GDP.
- After leaving the EU, the UK would lose unrestricted access to the Single Market, and preferential access to 53 non-EU markets. Curbs to the free movement of labour from the EU and, more importantly, a weaker UK economy after exit, would gradually reduce the incentives for economic migration to the UK and would be a cost to the economy.
- Brexit would generate a financial stock beyond the UK, magnified by the appreciation of other currencies against sterling.

### **Interlinking Production across Countries**

MNC is not only selling its finished products globally, but more important, the goods and services are produced globally. MNCs set up production jointly with some of the local companies of these countries. The benefit to the local company of such joint production is two-fold. First, MNCs can provide money for additional investments, like buying new machines for faster production. Second, MNCs might bring with them the latest technology for production. MNCs are exerting a strong influence on production at these distant locations. As a result, production in these widely dispersed locations is getting interlinked.

### **Indian Scenario**

Starting around 1991, some far reaching changes in policy were made in India. The government decided that the time had come for Indian producers to compete with producers around the globe. As per the World Trade Organization (WTO), India's share in global exports and imports increased from 0.8 per cent and 1.0 per cent respectively in 2004 to 1.7 per cent and 2.5 per cent in 2013.

A Free Trade Agreement (FTA) in services and investment was signed with the Association of South East Asian Nations (ASEAN) in September 2014.



**Exhibit 2: ASEAN Countries**

### **Steps to Attract Foreign Investment**

In 2014, FDI policy has been further liberalized. FDI up to 49 per cent through the government route has been permitted in the defence industry. Higher FDI has also been allowed on a case-to-case basis. FDI up to 100 per cent through the automatic route has been permitted in construction, operation, and maintenance of identified railway transport infrastructure. Norms related to minimum land area, capitalization, and repatriation of funds for FDI in construction development projects have been further liberalized.

SEZs are to have world class facilities: electricity, water, roads, and transport, and storage, recreational and educational facilities. Government has also allowed flexibility in the labour laws to attract foreign investment.

### **Benefits of Globalisation**

Instead of hiring workers on a regular basis, companies hire workers 'flexibly' for short periods when there is intense pressure of work number of well-off buyers. In these industries and services, new jobs have been created. Also, local companies supplying raw materials, etc to these industries have prospered.

Foreign trade creates an opportunity for the producers to reach beyond the domestic markets, i.e., markets of their own countries. Similarly, for the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced. Among producers and workers, the impact of globalisation has not been uniform. These products have a large wide-ranging choice of goods in our markets.

This is also true in rural India where economic conditions for farmers and labourers are under stress. The policy issue now is no longer whether but how best to "provide and protect," and technology-based direct benefit transfers will play an important role in this regard.

### **Competition and Uncertain Employment**

Globalisation has also created new opportunities for companies providing services, particularly those involving IT. But several of the units have shut down rendering many workers jobless. The small industries in India employ the largest number of workers (20 million) in the country, next only to agriculture.

Globalisation and the pressure of competition have substantially changed the lives of workers. Where earlier a factory used to employ workers on a permanent basis, now they employ workers only on a temporary basis so that they do not have to pay workers for the whole year. Workers also have to put in very long working hours and work night shifts on a regular basis during the peak season. Wages are low and workers are forced to work overtime to make both ends meet. While this competition among the garment exporters has allowed the MNCs to make large profits, workers are denied their fair share of benefits brought about by globalisation.

Moreover, increasingly conditions of work in the organised sector have come to resemble the unorganised sector.

## **Social Security Schemes Started by the Central Government**

### **Present Scenario**

The global economic environment appears poised for a change for the better with the recent sharp fall in the international prices of crude petroleum, which is expected to boost global aggregate demand, and the sharp recovery in the US economy in the face of gradual withdrawal from monetary accommodation.

A sudden correction in financial markets and downside risks to growth with a possible further slowdown in the euro area along with the likely duration of the oil price supply shock effect, are some of the concerns that linger on. The level of global economic activity has a significant direct bearing on the growth prospects of the emerging economies through trade channels. In 2013-14, POL imports accounted for 36.6 per cent of total imports. Hence, changes in crude oil prices have direct bearing on India's CAD.

The Ninth Ministerial Conference of the WTO took place in Bali during 3-7 December 2013. Amongst these Decisions, two are of particular significance for India, viz. the Ministerial Decision for an Agreement on Trade Facilitation and the Ministerial Decision on Public Stockholding for Food Security Purposes.

The Trade Facilitation Agreement (TFA), which was also endorsed by India at the Ninth Ministerial Conference, is basically aimed at greater transparency and simplification of customs procedures, use of electronic payments and risk management techniques, and faster clearances at ports.

In the first half of 2014-15, India's external-sector position was benign and comfortable. Two important developments were that: (i) lower trade deficit along with moderate growth in invisibles resulted in lower CAD and (ii) there was a surge in capital inflows, enabled by higher portfolio investment, foreign direct investment (FDI), and external commercial borrowings (ECB).

India's key debt indicators compare well with other indebted developing countries. The ratio of India's external debt stock to gross national income at 23.0 per cent was the sixth lowest. In terms of the cover provided by foreign exchange reserves to external debt, India's position was sixth highest at 64.7 per cent.

The reality and prospect of high and rising growth, combined with macroeconomic stability, is the promise of India going forward.

A further impetus to growth will be provided by declining oil prices and increasing monetary easing facilitated by ongoing moderation in inflation. Simulating the effects of tax cuts, declining oil prices will add spending power to households, thereby boosting consumption and growth. Oil is also a significant input in production, and declining prices will shore up profit margins and hence balance sheets of the corporate sector.

## **Economic Reforms**

Indian Government has undertaken a number of reforms and is planning several more. A single GST rate (across States and products) set at internationally competitive levels with limited exemptions would maximize its pro-growth, pro-compliance, and pro-single market creating potential.



**Exhibit 3: Goods and Services Tax**

Moderated gold imports will also help sustain a manageable current account deficit. As the terms of trade deteriorate and as rural incomes come under pressure. One response in the short run must be to enhance targeted support for the

vulnerable in agriculture, namely the small farmer and agricultural labourer. The MGNREGA program has the virtue of being reasonably well-targeted.

Rationalisation of subsidies and better targeting of beneficiaries through direct transfers would generate part of the resources for the public investment that is essential in research, education, extension, irrigation, water-management, soil testing, warehousing and cold-storage. Price subsidies, no doubt provide help, but only a small fraction of the benefits. Actually accrue to the poor.

Subsidies are also susceptible to the brutal logic of self-perpetuation. In the case of sugar, to protect sugar cane producers high support prices are awarded; to offset this tax on mill owners, they are supported through subsidized loans and export subsidies; and then they are again taxed by placing restrictions on sales of molasses that are produced as a by-product.

Different subsidies also interact to hurt the poor. The larger share of economic benefits from the price subsidy probably accrues to the fertiliser manufacturer and the richer farmer who accounts for a larger share of fertiliser consumption, not the beneficiary most in need, namely the poor farmer.

India ranks amongst the most attractive investment destinations, well above other countries. The robust external-sector outcome in the current year of moderate trade and current account deficits, abundant financial flows, a build-up of foreign exchange reserves and broadly stable exchange rate movement points to a return to the path of strength and resilience that was in evidence before the global financial crisis of 2008.

The correction in the international prices of crude petroleum in the second half of the current fiscal has helped in the decontrol of diesel prices. The overall trade performance signalled an opportune time for withdrawal of restrictions on gold imports. The resilience also owed in part to the trade diversification process. India is increasingly integrated with the rest of the world. It is evident that India's rising two-way external-sector transactions have more than doubled as a proportion of GDP over the last ten years. Trade openness provides opportunities for higher growth through higher exports and makes available better quality products domestically at globally competitive prices. Globalisation has enabled some large Indian companies to emerge as multinationals themselves: Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners (nuts and bolts). Globalisation is now a reality, the question is how to make globalisation more 'fair'?

People with education, skill and wealth have made the best use of the new opportunities. The government can play a major role in making this possible. Its policies must protect the interests, not only of the rich and the powerful, but also of the people in the country. For instance, the government can ensure that labour laws are properly implemented and the workers get their rights. It can support small producers to improve their performance till the time they become strong enough to compete. If necessary, the government can use trade and investment barriers. It can negotiate at the WTO for 'fairer rules' people also can play an important role in the struggle for fair globalisation.

## **Impact of Government Policies**

Growth with equity has been the focus of Indian economic policy since the 1960s. By 2020, India is projected to be the youngest nation in the world in terms of size. While this 'youth bulge' provides India great opportunities, it also poses challenges. These young people need to be healthy, suitably educated, and appropriately skilled to contribute optimally to the economy.

The main issue to address then is not just providing employment but increasing the employability of the labour force in India. Employability is contingent upon knowledge and skills developed through quality education and training. The Prime Minister's Skill India objective should be accorded high priority along with, and indeed in order to realize, 'Make in India', so as to eliminate the current negative protection facing Indian manufacturing. It is aimed at addressing key problems such as ramping up investment, rationalizing subsidies, creating a competitive, predictable, and clean tax policy environment, and accelerating disinvestment.

Sarva Shiksha Abhiyan (SSA) is the designated scheme for implementation of the RTE Act and it includes reimbursement for expenditure incurred for at least 25 per cent admissions of children belonging to disadvantaged and weaker sections in private unaided schools from the academic year 2014-15. The Padhe Bharat Badhe Bharat initiative to create a base for reading, writing, and math fluency is a good step.

A dedicated Department of Skill Development and Entrepreneurship has been created under the Ministry of Skill Development. Entrepreneurship, Youth Affairs and Sports to accord focused attention in this area.

The Deen Dayal Upadhyaya Grameen Koushalya Yojana (DDU-GKY) is a placement- linked skill development scheme for poor rural youth. Other new programmes that aim at bringing minorities into mainstream development include Nai-Manzil for education and skill development of dropouts; USTTAD (Upgrading skills and Training in Traditional Arts/Crafts for Development) to conserve traditional arts/crafts and build capacity of traditional artisans and craftsmen belonging to minority communities; Nai Roshni, a leadership training programme for women; and MANAS for upgrading entrepreneurial skills of minority youths.



**Exhibit 4: DDU Grameen Kaushalya Yojana**

A major impediment to the pace of quality employment generation in India is the small share of manufacturing in total employment.

	Organized	Unorganized	Total (%)
<b>Formal</b>	<b>45.4</b>	<b>0.4</b>	<b>8.1</b>
<b>Informal</b>	<b>54.6</b>	<b>99.6</b>	<b>91.9</b>
<b>Total</b>	<b>17.3</b>	<b>82.7</b>	<b>100</b>

The Rashtriya Swasthya Bima Yojana (RSBY) is a scheme under the Unorganized Workers' Social Security Act 2008. It is a smart card-based cashless health insurance scheme, including maternity benefit, which provides a cover of Rs 30,000 per family per annum on a family floater basis to below poverty line (BPL) families in the unorganized sector. As per the National Skill Development (NSDC), for the period between 2013 and 2022 there is an incremental requirement of 120 million skilled persons in the non-farm sector.



**Exhibit 5: National Health Insurance Scheme**

The Swachh Bharat Mission (Gramin) launched in October 2014, aims at attaining an Open Defecation Free India by 2 October 2019. Besides, Mission Indradhanush launched in December 2014 will cover all children by 2020 who are either unvaccinated or are partially vaccinated against seven vaccine-preventable diseases.

The objectives of the Swachh Bharat Mission (SBM) are elimination of open defecation, eradication of manual scavenging, modern and scientific solid waste management, and generating awareness about sanitation and its linkage with public health.



**Exhibit 6: Swachha Bharat Abhiyaan**

The 2014 Human Development Report (HDR) presents the Human Development Index (HDI)—values and ranks—for 187 countries. India's HDI value for 2013 is 0.586, ranking it 135 out of 187 countries and territories, the lowest among the BRICS countries. Introduction of the GST is also expected to make Indian products competitive in domestic and international markets. Studies show that this would instantly spur economic growth. It would translate into enhanced economic welfare and higher returns to the factors of production, viz. land, labour, and capital.

In October 2014, the government has made a move towards major pricing reforms in order to rationalize the subsidy structure in the oil and gas sector. The prices of diesel have been deregulated and have become market-determined at retail level and at the refinery gate.

### **Financial Inclusion**

To achieve the objective of financial inclusion by extending financial services to the large hitherto unserved population of the country and to unlock its growth potential, the *Pradhan Mantri Jan-Dhan Yojana (PMJDY)* was launched on 28 August 2014. The Yojana envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit and insurance. The beneficiaries will receive a RuPay Debit Card having inbuilt accident insurance cover of Rs1 lakh. It can boost household consumption and asset ownership and reduce foodsecurity problems for the ultra-poor. These two schemes will enable achievement of multiple objectives such as financial inclusion, insurance penetration, and digitalization.



**Exhibit 7: Monetary Initiative started by GoI**

Cash transfers can also augment the effectiveness of existing anti-poverty programs, like the MGNREGA. The National Food Security Mission (NFSM) is being implemented with the new target of additional production of 25 million tonnes of food grains. The pulses component has been allocated fifty per cent of total funds under the NFSM in order to increase their production.

### **Make in India**

The Make in India programme is aimed to facilitate investment, foster innovation, enhance skill development, protect

intellectual property, and build best-in-class manufacturing infrastructure. Information on twenty-five sectors has been provided on a web portal along with details of FDI policy.



**Exhibit 8: Make in India Mission**

### **Ease of Doing Business**

To improve India's low Ease of Doing Business Index ranking, reforms are being undertaken in areas such as starting a business, dealing with construction permits, registration of property, power supply, paying taxes, enforcing contracts, and resolving insolvency.

### **Skill Development**

A new Ministry of Skill Development and Entrepreneurship has been formed by Central Government to promote skill and entrepreneurial activities. The objective of Heritage City Development and Augmentation Yojana (HRIDAY) is to preserve the character of a heritage city and facilitate inclusive heritage-linked urban development by exploring various avenues including involvement of the private sector. It is proposed to develop 100 smart cities identified on the basis of stipulated criteria. These cities will have smart (intelligent) physical, social, institutional, and economic infrastructure to improve public services.



**Exhibit 9: Skill India Mission**

**Digital India** has been envisioned as an ambitious umbrella programme to prepare India for knowledge-based transformation. This would ensure broadband connectivity at village level, improved access to services through IT-enabled platforms, greater transparency in government processes and increased indigenous production of IT hardware and software.



**Exhibit 10: Digital India Mission**

**Beti Bachao Beti Padhao (BBBP) Programme**, for promoting survival, protection, and education of the girl child was launched on 22 January 2015 at Panipat, Haryana, a state that is noted for the lowest Child Sex Ratio— 835 (SRS

2013). The overall goal of the BBBP programme is to celebrate the girl child and facilitate her education with the objectives of preventing gender-biased sex-selective elimination, ensuring survival and protection, and education of the girl child.



**Exhibit 11: Beti Bachao Beti Padhao (BBBP) Programme**

### **Good Governance**

**1. Need to cut subsidy leakages, not subsidies themselves committed to the process of rationalizing subsidies.**

**2. Direct Transfer of Benefits to be extended further**

**MUDRA Bank**, with a corpus of ₹20,000 crores, and credit guarantee corpus of ₹3,000 crores to be created. MUDRA Bank will be responsible for refinancing all Micro-finance Institutions which are in the business of lending to such small entities of business through a PradhanMantri Mudra Yojana.

**Pradhan Mantri Suraksha BimaYojna** to cover accidental death risk of ₹2 Lakh for a premium of just ₹12 per year.

**Atal Pension Yojana** to provide a defined pension, depending on the contribution and the period of contribution. Government to contribute 50% of the beneficiaries' premium limited to ₹1,000 each year, for five years, in the new accounts opened before 31st December 2015.

**Pradhan Mantri Jeevan Jyoti BimaYojana** to cover both natural and accidental death risk of ₹2 lakh at premium of ₹330 per year for the age group of 18-50.

**Unclaimed deposits** of about ₹3,000 crores in the PPF, and approximately ₹6,000 crores in the EPF corpus. The amounts to be appropriated to a corpus, which will be used to subsidize the premiums on these social security schemes through creation of a Senior Citizen Welfare Fund

**Atal Innovation Mission (AIM)** to be established in NITI to provide Innovation Promotion Platform involving academicians, and drawing upon national and international experiences to foster a culture of innovation, research and development. A sum of ₹150 crore will be earmarked.

**SETU (Self-Employment and Talent Utilization)** to be established as Techno- financial, incubation and facilitation programme to support all aspects of start-up business. ₹1000crore to be set aside as initial amount in NITI.



**Exhibit 12: India Filings**

**Deen Dayal Upadhyay Gramin Kaushal Yojana** to enhance the employability of rural youth.

A **Student Financial Aid Authority** to administer and monitor the front-end al scholarship as wel Educational Loan Schemes, through the Pradhan Mantri Vidya

**Lakshmi Karyakram Yogato** be included within the ambit of charitable purpose under Section 2(15) of the Income-tax Act.

**“Stand Up India Scheme”** to facilitate at least two projects per bankbranch. This wil benefit at least 2.5 lakh entrepreneurs.



**Exhibit 12: Start up India**

**“Ek Bharat Shreshtha Bharat”**programme wil be launched to link States and Districts in an annual programme that connects people through exchanges in areas of language, trade, culture, travel and tourism.

**‘Niramaya’ Health Insurance Scheme** launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability.

**Soil Health Card Scheme** is now being implemented with greater vigour. Through this, farmers get information about nutrient level of the soil and can make judicious use of fertilizers.

**‘Parmparagat Krishi VikasYojana’** which wil bring 5 lakh acres under organic farming over a three year period.

**‘Pashudhan Sanjivani’**, an animal wel ness programme and provision of **Animal Health Cards** (**‘Nakul Swasthya Patra’**); **an Advanced breeding technology**; third, Creation of **‘E-Pashudhan Haat’**, an e market portal for connecting breeders and farmers

Panchayat Raj Institutions need to develop governance capabilities to deliver on the Sustainable Development Goals. It is, therefore, proposed tolaunch a new restructured scheme, namely, **Rashtriya Gram Swaraj Abhiyan**, for which 655 crore is being set apart in 2016-17.

**Minimum Government and maximum governance** is to ensure targeted disbursement of Government subsidies and financial assistance to the actual beneficiaries. The government wil introduce a bil for Targeted Delivery of Financial and Other Subsidies, Benefits and Services by using the Aadhar framework.The government propose to introduce DBT on pilot basis for fertilizer in a few districts across the country.

### **Concluding Remark**

Indian economy is now more and more integrated with the world economy. Any international development wil surely impact our economy. Our economic policies should prepare us the chal enges, and at the same time it should be to appropriate maximum benefits out of opportunities it presents. Our economic policies should also aimed at mitigating its adverse impacts.

## **UNIT-IV**

### **E-ACCOUNTING (TALLY SOFTWARE)**

#### **Introduction**

The aim of this chapter is not to teach an accounting package, but to focus on how the features of accounting software

are implemented in each of these packages.

The Tally Accounting package has different modules related to Accounting Systems in the package. It also describe as to how various phases of accounting cycle can be incorporated in the flow. It also co-relates the Print Balance Sheet as on manual phases of accounting cycle with each of these Prepare Bank modules and describes how different reports can be Reconciliation statement as generated at the end of each of these modules.

## Learning Objectives

After studying this chapter you will be able to use Tally Accounting Software for:

- Creating Book of Accounts.
- Print Profit and Loss Account
- Print Balance Sheet as on date
- Prepare Bank Reconciliation statement as on date
- Print MIS Reports on Accounting

## Features of accounting software

Tally is an accounts and inventory management software which has many other features too. With the latest version of this software Tally 9 you can-

1. do all basic accounting functions,
2. manage your stores,
3. do the job costing,
4. manage payroll ,
5. get many MIS (Management information reports which are useful for day-today functions,
6. file your tax returns like prepare balance sheet, profit and loss statement, VAT forms, TDS returns, Service tax returns, e-TDS filing, Excise forms, FBT reports and forms,
7. maintain budgets, scenarios,
8. calculate interest on pending amount,
9. manage data over different locations and synchronize it and many more other features.

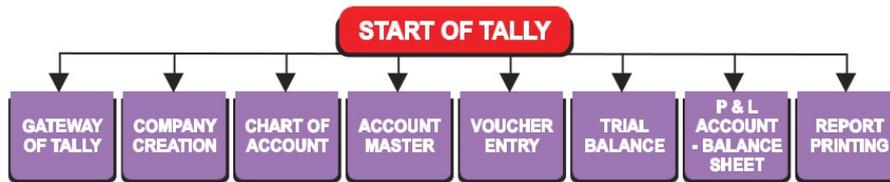
## 5.1 STEPS IN INSTALLATION OF C.A.S

For installation of computerised accounting system the following steps are required:

1. Insert CD in the system ;
2. After inserting CD select the option in following steps ;
  - a. Select any (C: or E: or D:) from My Computer icon on the desktop. Double click on install.exeOR
  - b. Select start > run > type the file name E:\install.exe
3. After the above process the default directories of application , data and Configuration opens in a window. In case, the user wants to change the default directories then it can be changed by providing the desired drive and file name/directory name for example : D: \software name, instead of C : \accounting software (default name)
4. Click on install and installation process begins, accounting software displays the Message of successful installation, then this CD can be removed.

## 5.2 USE OF ACCOUNTING SOFTWARE

Tally is a widely used accounting software which can be used for book keeping purposes by any size of organisation. In the accounting software Tally user can create any independent set of accounts to be maintained



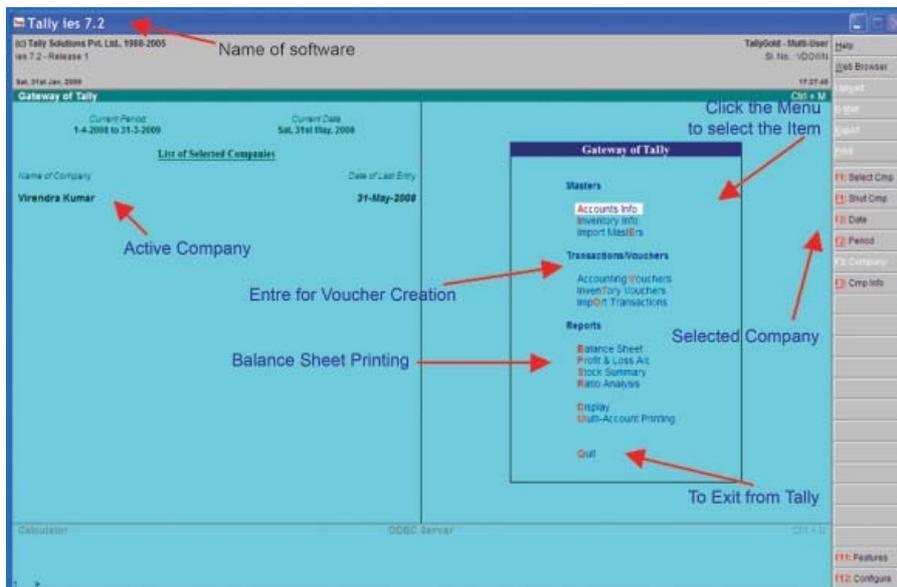
**Figure 5.1 : Tally Software**

by a company, partnership firm, individual or even a Branch account. To work with Tally first you will start with Gateway of Tally as it is the control centre of the software. Here under, now we explain various components of Gateway of Tally.

### 5.2.1 GATEWAY OF TALLY

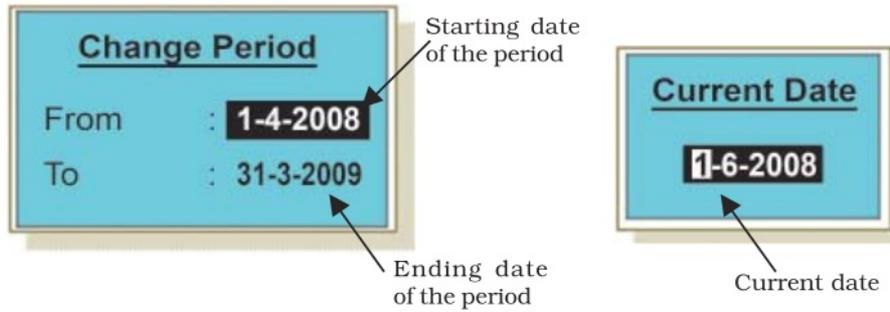
Gateway of Tally is the control centre of Tally. Following are the components of gateway (Figure 5.2).

- **Product Info:** Software name & version (eg: Tally 9.0)
- **Horizontal Button Bar:** It contain two sets of Button with hot key.
- **Report management:** Print, e-mail etc.
- **Language:** To set up language for display.
- **Current status:** It means current date, current period, selected company etc.
- **Tally Menu:** At right part of the Gateway screen of Tally menu shows the list of options. We can select an item to initiate a task.
- **Vertical Button Bar:** The button bar shows several buttons with function key /hot key to provide quick and direct access to various options and tasks.



**Figure 5.2 : Gateway of Tally**

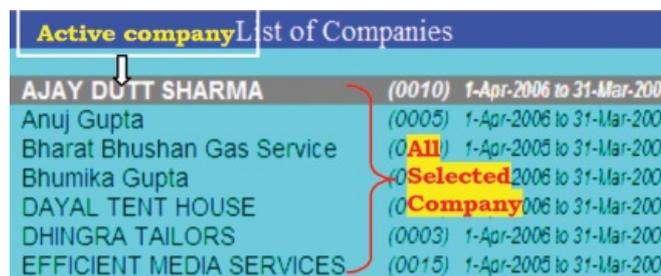
- **Tally Calculator/Command Line:** While working with Tally, if we press Ctrl+N Calculator is activated to make arithmetical calculations. The same can also be pasted in any numerical field.
- **Current Screen Bar:** At the bottom, you get the Current Screen bar showing the following details about the current screen being display.



**Figure 5.3: Periods and date Entries**

• **Current Period:** In the current period user enters the starting date of the financial year and closing date of the financial year. The Figure 5.3 shows how user enters starting opening and closing date of accounting period.

• **Current Date:** Current date is date of your last working. It is also known as voucher date. In the Figure 5.3, on the left side of Gateway you can get the following information about Current Period, Date, Active Company and Selected Company (Figure 5.4).



**Figure 5.4 : Active and Selected Companies**

• **Active Company:** When you have selected multiple companies, the last selected company becomes the active company.

• **Selected Companies:** In selected companies Tally displays the list of all selected companies along with the date of last voucher entered.

### 5.2.2 COMPANY CREATION

In order to create a Company by using Gateway of Tally, initiate the following steps:

- Click on the <Select Cmp>
- You get Company info and click on <Select company>
- If you click on <Shut Cmp> option, then you click on <Create Company>

To create a Company profile in Tally, click Create Company at Company info menu (Figure 5.5) to get Company Creation screen (Figure 5.6).

In the Company Creation screen (Figure 5.6) the user should fill the necessary information:

• **COMPANY NAME:** Enter the Name of the Company at Name field. This name is displayed at all company selection lists and internal documents.

• **COMPANY MAILING ADDRESS:** Enter the Name of the Company at Name field (same as Company Name) which is printed in all External documents.

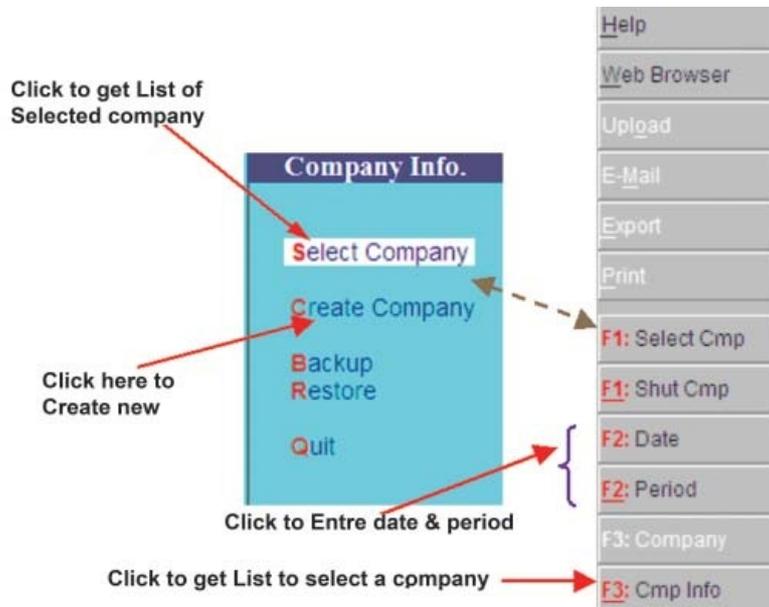


Figure 5.5 : Company Creation

Name	Virendra Kumar	Name of the Company
Mailing Name	Virendra Kumar	
Address	382, Noor Nagar Sikani, Ghazipur	Company Mailing Address
State	Not Applicable	
PIN Code		
E-Mail Address		
Use Indian VAT	No	
Local Sales Tax Number		
Inter-state Sales Tax Number		
Income-Tax Number	ADNP931681	Income tax no
Currency Symbol	RS	
Maintain	Accounts with Inventory	Financial Year dates
Financial Year from	1-4-2006	
Books beginning from	1-4-2006	
Use Security Control	No	
Base Currency Information		
Base Currency Symbol	RS	
Formal Name	VIRENDRA	
Number of Decimal Places	2	
Is Symbol SUFFIED to amounts?	No	Show Amounts in Millions ? No
Symbol for Decimal Portion	paise	Put a SPACE between Amounts and Symbol ? Yes

Figure 5.6: Screens for Company Creation

- **COMPANY ADDRESS:** Enter the Complete mailing address line by line which is mentioned in internal and external document of the company.
- **I.T. NUMBER:** Enter the Income Tax number allotted by Income Tax Department.
- **ACCOUNTING MODULE:** To maintain Financial Accounts only, at Maintain field, Select Accounts Only.
- **FINANCIAL YEAR:** At the Financial year field; entered the Beginning and closing date of the financial year.
- **SAVING THE COMPANY PROFILE:** Finally, Tally ask for your confirmation to save the Company Profile. Tally Save the Company Profile in data bank.

## SELECTION OF ACTIVE COMPANY AND START FROM GATEWAY OF TALLY

The last selected company (Figure 5.2) becomes the Active Company and such company is shown in the bold letter of Gateway screen and we start creation chart of Accounts. (Figure 5. 7)

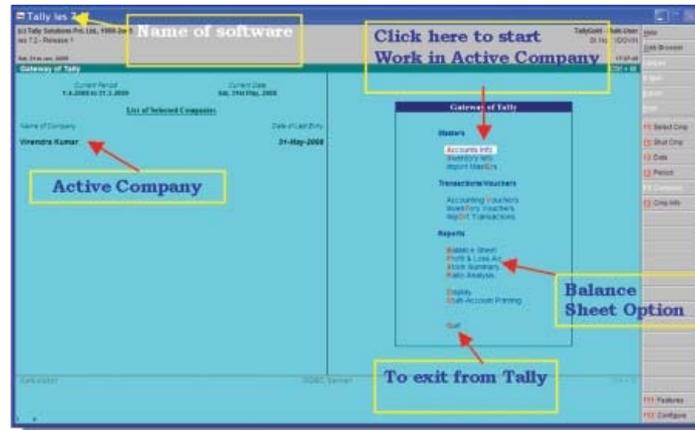


Figure 5.7: Selections for Data Entry Options for Active Company

### 5.2.3 CHART OF ACCOUNTS

Chart of Accounts is the segmentation of Liabilities and Assets of Balance Sheet and Income & Expenses of Profit and Loss Account. In the accounting software such chart of accounts is classified into two categories, such as Ledger Accounts, Accounts Group.

- **Ledger Account:** Ledger Accounts represents the assorted, summarised and balanced transactions of similar nature. For example, the ledger account Conveyance represents the set of transaction related to conveyance expenses and their summarised net figure. All Accounting transactions are linked to Ledger account.
- **Account Group:** Account Group is a convenient method of organising the Ledger Accounts into a tree-structured hierarchical view for better the understanding and interpretation.

#### 5.2.3.1 Hierarchy of Account Head

In the accounting system accounts is the segmentation of liabilities and assets of balance sheet and income and expenses of profit & loss account. It represents the hierarchical arrangement of account groups and ledger accounts.

#### 5.2.3.2 Group of Account

Group of account is a method of organising the large number of ledger accounts into sequential arrangement for recording and summarisation of accounting data.



Figure 5.8 : Groups and Ledger

In accounting software the pre-defined groups and these existing groups cannot be altered. In the account groups there are 28 predefined groups, out of these groups 15 are primary groups and 13 are sub-groups.

- **Primary Group:** It is a basic grouping of the set of sub-groups into major account heads according to their listing in balance-sheet and profit and loss account.
- **Sub-Group:** A sub-group is a set of accounts opened in the ledger of recording of related transactions. For example, to record a refund of loan accounting to Rs. 1,000 to Ansal first click on <Loan Liabilities> and the <list of ledger> will appear . Here we click on <Ansal> to open this account for recording.

### 5.2.3.3 Account Group of Balance Sheet

#### • ACCOUNTS GROUP OF LIABILITIES

- **Capital:** Ledger Account for Owner's Capital may be placed under the capital group, for example, Partners capital account, Equity share capital, Preference share capital.

- **Reserves and Surplus:** It is a sub-group of capital account. All reserves are placed under Capital group, for example, General. Reserve, Capital Reserve, etc.

#### • ACCOUNT GROUP - LOANS (LIABILITIES) - It contains following sub-groups:

- **Bank Overdraft:** In computerized accounting system, Current Bank Account, Bank Overdraft, and Cash Credit is sub-group of Loan (Liabilities) because Bank Overdraft and Cash Credit operation on day-to-day basis should be placed under this group.

- **Secured Loans:** Secured Loan's are fully secured loan against security like (mortgage, hypothecation, pledge, etc ) should be placed under this group .

- **Unsecured Loans:** Such loan's are without any security: Example of such loans are: Loan from outside parties, Directors, Friends and Relatives, etc.

#### • ACCOUNTS GROUP - (CURRENT LIABILITIES)

- **Duties and Taxes:** Under this head all duties and taxes that you collect or pay through sales service and purchase transactions.

- **Provisions:** In this head all provisions made for meeting the future liabilities such as provision for tax , proposed dividends (like Bad Debts, etc ).

- **Sundry Creditors:** Sundry Creditors are all trade creditors/suppliers and creditors for expenses. For example, if you purchase, on credit basis then create one ledger account for sundry creditors.

- **Other Current Liabilities:** Place all other current liability account like employees contribution for Employees State Insurance/Provident Fund/Tax Deducted at Source (TDS), etc.

#### • ACCOUNT GROUP OF ASSETS:

##### • ACCOUNTS GROVP (FIXED ASSETS)

- **Fixed assets:** Fixed assets directly related with immovable properties like Patent, Trade Right, W.I.P, Goodwill, Building, Plant, Equipment, Furniture, etc

#### • ACCOUNTS GROUP (INVESTMENT)

- **Investment:** Investment ledger account relates to the investment in Share Bonds, Govt. Securities and Investments in other company

- **ACCOUNTS GROUP (CURRENT ASSETS):** Those assets which consumed in operations are known as current assets. Examples of current assets are Stock on hand, Deposits, Loan and Advances, Sundry Debtors, Bank Account, Cash in hand.

- **Stock on Hand:** Such ledger accounts show Raw Material, Workin-Progress and Finished goods.

- **Loans and Advances:** Such loans and advances are of nontrading nature, for example, Advance against Salary, Loan to employee, Advance for Fixed Assets.

- **Sundry Debtors:** Sundry Debtors are directly related to the parties to whom goods has been sold on credit.

- **Bank Account:** It includes bank deposits made by the company such as balance of current and saving account,

fixed deposits security deposits, rental deposits, etc.

- **Cash in Hand:** Cash Ledger account directly relates with cash transactions, Cash in transit, petty cash, and cash at bank.

- **Miscellaneous Expenditure:** For limited company, preliminary, pre-operative and similar expenses (to the extent not written-off to the profit and loss account placed here. Also the accumulated loss as of the company and negative balance of profit & loss account is also placed in this category.

#### • PROFIT AND LOSS ACCOUNT

- **Sales Account:** For different sales accounts, the segregation is based on tax slabs or type of sales. This also becomes a simple mechanism for preparation of tax returns. For example, Sales account is classified as following such-groups: domestic sales, export sales, You may even open sales returns account under the group domestic sales to view net sales after returns (or the returns may be directly recorded through journal against the specific sales account).

- **Purchase Account:** This is similar to sales accounts, except for the purpose of the transaction.

- **Direct Income [Income Direct]** All trade income accounts fall under sales accounts. You may wish to use this group for accounts like servicing contract charges that follow after the sales of equipment.

- **Indirect Income [Income Indirect]** These are the miscellaneous non-sale income accounts, e.g., rent received and interest received.

- **Direct Expenses [Expenses Direct]** These accounts determine the Gross Profit of the company.

- **Indirect Expenses [Expenses Indirect]** - These include all other administrative, selling or non-direct expenses.

- Tally automatically opens the profit and loss account which is a reserved primary account. You may use this account to record adjustment entries through journal vouchers.e.g., transfer of profit or loss to capital or reserve account.

### 5.2.4 ACCOUNT MAsTER

#### • ACCOUNTS GROUP CREATIONS

Select Accounts info at Tally Main Menu (Figure 5.9) to get <Accounts info Menu>, which contains options for all Accounts Masters.

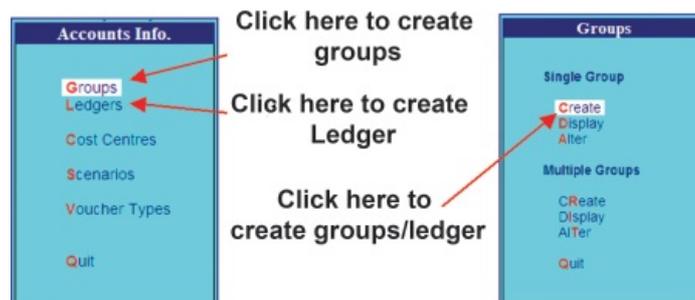


Figure 5.9 Account Groups

After selecting **Create** option under Single Group to reach to the Account **Group creation screen**. Now enter as shown in Figure 5.10,

- **Account Group Name:** At name field, enter unique Account Group Name.

- **Parent Group Name:** At under field, select the Parent Group from list of Group.

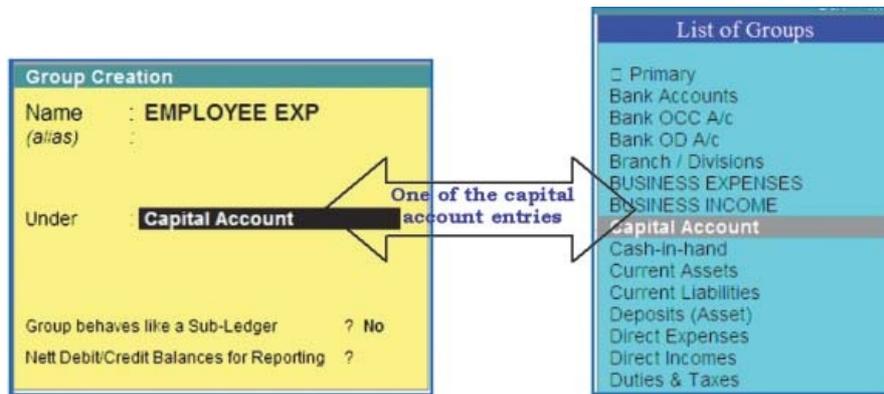


Figure 5.10 : Account Group

• **ACCOUNTS LEDGER CREATION:** Tally automatically creates two ledgers, one Cash and another Profit and Loss Accounts. You have to create all other Ledger Accounts (Figure 5.11).

- **Account Ledger Name:** - Enter a unique Name of the ledger
- at **Under field** select the parent Group of the ledger from list of **Group**.
- In the **Opening Balance field** enter the opening balance at the Books Beginning from Date

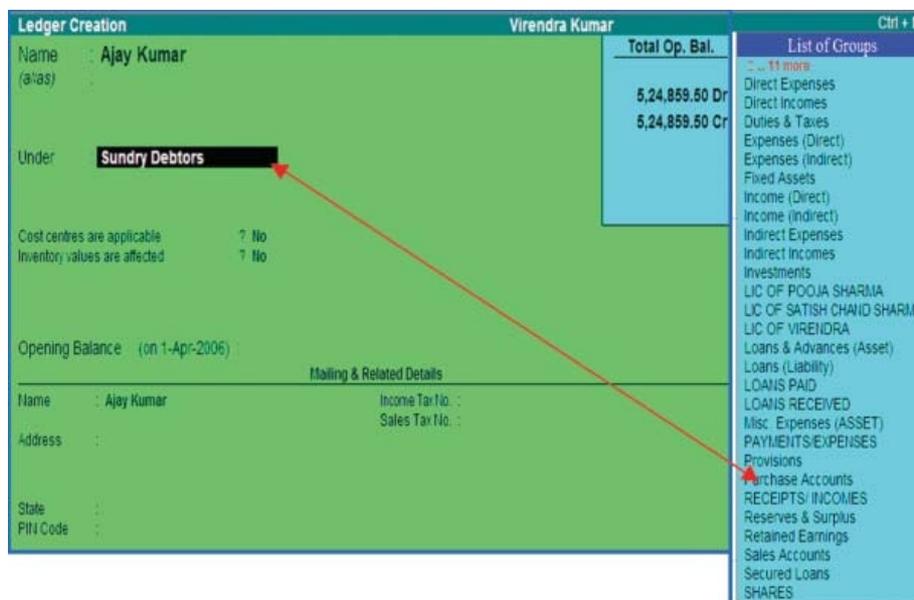


Figure 5.11 : Account Ledger

Figure 5.12 displays the user Account Group and Ledger after creation. The next step is the Creation of necessary ledgers. via creation of vouchers.

### 5.2.5 VOUCHER ENTRY

After creation of accounts the user enters accounting voucher entry in the books of accounts. In the computerized accounting system, the transactions are recorded through a voucher entry. Normally, a transaction is supported by a document that may be a supplier's bill, pay-in-slip, pay register entry of cheque book, etc. Thus, basically voucher contains details of a transaction. In accounting software, Voucher creation displays its own screen which is self-explanatory. The vouchers are three types -:

- **Memo Voucher:** Memo voucher is a non accounting voucher. It does not affect accounts of the user. These entries are stated/recorded in a separate register, but not as a part of ledger.
- **Post Dated voucher:** Some accounting software allows the user to enter the voucher for future transactions which are usually similar as the previous once.
- **User defined Voucher:** In accounting software there are 23 predefined vouchers. It allows the user to define or create new accounting or inventory vouchers as per the requirement. In the voucher entry, entry can be classified

into three basic categories.

**Opening Entry:** In order to begin the new financial year, balances of accounts of the previous year are brought forward. For this opening entry in the journal is recorded. It is to record the opening balance of various accounts that are being transferred from the books of the previous year to the books of the new financial year. All those accounts which shows the assets of a business are debited and all the accounts showing amounts owed by the business (liabilities) are credited. If capital amount is not given, it can be easily ascertained by deducting liabilities from assets (capital = assets - other liabilities) and Capital account is also credited. The entry would be:

Cash account	Dr
Cash at Bank account	Dr
Sundry Debtors account	Dr
Stock account	Dr
Furniture account	Dr
Office Equipment account	Dr
To Sundry Creditors account	
To Capital account	

• **Closing Entry:** The closing entries for completing the profit and loss account are :

1. Debit Profit and Loss account.

Credit the various Expenses account appearing in the Trail Balance.

2. Debit account showing incomes or gains

Credit the profit and loss account

This will close the profit and loss account. Entries required to make the trading account and profit and loss account are known as closing entries because their effect is to close the books of account for the year concerned.

• **Adjusting Entry:** The Adjusting entry is recorded to relate the figures to the trading period. Suppose, premises have been sublet on March 31, and three months' rent, has been received in advance amounting to Rs. 9000. While preparing accounts up to 31st March, one should take into account only one month's rent for preparing the profit and loss account (accounting period concept); the rest two month's rent, already received is for the next year and will be credited to profit and loss account next year. The adjusting entry will be :

**Rent Account Dr.**

**To Advance Rent Account**

Rent Received in advance Account is a 'Liability' and is shown in the balance sheet.

**Method of Voucher Numbering:** This is, perhaps, one reason for your opting for a new voucher type. For this purpose, the following methods are available:

• **Manual**

This method will allow you to number vouchers yourself. However it does not check for sequence of the numbers and permits you to specify anything you wish in the voucher number field. However, you may choose to prevent entry of duplicate numbers. If you do, enable the next field 'Prevent Duplicates' - options Prevention of Duplicates is possible if you enable the option at the time of creation. You may enable it later (by alteration) only if there are no transactions of this voucher type.

- **Automatic**

This method is both; flexible and exhaustive. Automatic system instructs Tally to number the vouchers of this type incrementing automatically.

**Starting number**

Give the number for the first voucher. Usually it is 1. You can set it to any number you want. Tally will auto-increment from this number for subsequent vouchers. However, the numbering of vouchers also depends on other variables supplied by you, which follow hereafter.

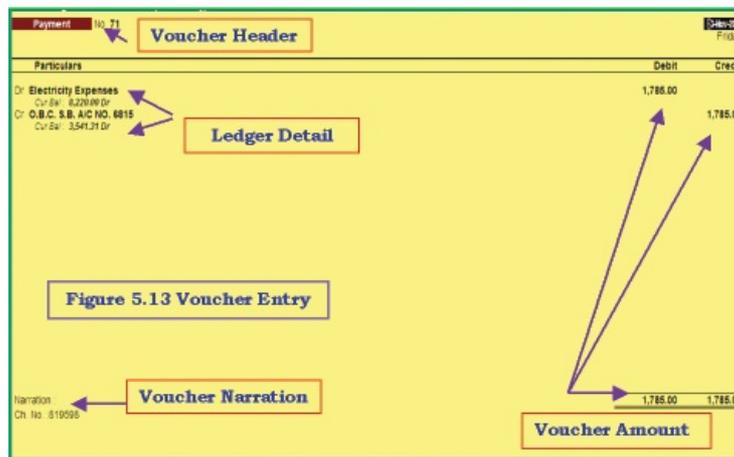
In the voucher entry, Tally create certain rules to trap mistakes. These rules are validated during voucher entry and any violation is trapped immediately. Tally divides a voucher in three basic categories,

- **Contra Voucher:** Contra voucher is used for Fund Transfer between Cash and Bank account only. For example, Rs 5,000 Cash withdrawn from Bank of India .

Cash A/C Dr. 5,000.00

To Bank of India 5,000.00

(Cash withdrawn from bank )



**Figure 5.12 Voucher Entry**

- **Receipts Voucher** :- All Inflow of money is recorded through Receipt Voucher. Such receipts may be towards any Income such as receipts from debtors, loan/ advance taken or refund of loan/ advance for example: Rama and Co. to whom goods were sold earlier on Credit, paid against Bill No 54 for Rs 4,500 Cash Discount is Rs 500.

Cash A/C

Cash Discount A/C

Rama & Co.

(Cash Payment Received against Bill no 54)

- **Payment Voucher:** All Outflow of money is recorded through Payment Voucher. Such payment may be towards any purchase, Expenses, due to creditors, loan/ advances, etc. For example: - Salary paid to A.K Gupta through Bank.

Salary A/C

To Bank Cr

(Salary Paid to Mr A.K Gupta through Bank)

- **Journal Voucher:** Journal is an Adjustment voucher, normally used for non cash transaction like adjustment between the Ledgers. For example

Deprecation A/C Dr To Machinery

(Being Deprecation charged on Machinery)

**Display:** Some top level reports like Balance Sheet, Profit and Loss Account etc may be available at main menu, while other reports are available through Display option at main menu .

### 5.2.6 TRIAL BALANCE

This report shows the trial balance of a Primary Group.

Select Display > Trial Balance.

In Primary Group trial balance (Figure 5.13), Click FI: obtain detail trial balance and trial balance shows the closing balance of accounts group/Ledger. After all voucher entry have been done, it can be seen how every amount that is placed on the debit side of an account has a corresponding entry on the credit side of some other account. This is the technical aspect of the principle of double system. This being the case, that the total of the debit balances hold agree with the total of all the credit balances. In fact all businesses periodically tabulate the debit and credit balances separately in a statement to find out whether the total of debit balances agree with the total of credit balances or not. Such a statement is known as the trial balance.

### 5.2. 7 BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The Profit and Loss account is constructed by simply posting all items of income and expense from the journal entry. The current year's profit is determined by balancing the accounts and carried forward to the appropriation section of the profit and loss account. All balances remaining in any ledger account after the profit and loss account is drawn up are listed in the balance sheet .Generally the assets and liabilities are stated in decreasing order of permanence.

All expenses (direct or indirect) are related to profit and loss account and revenues and incomes are credited to it. If an expense has been incurred but not yet paid for, is a liability for the unpaid amount and must be created before the account can be said to show a true picture.

Trial Balance		Virendra Kumar		C/O + 11	
Particulars		Virendra Kumar		1-Jan-2007 To 31-Dec-2007	
		Closing Balance			
		Debit	Credit		
<b>Capital Account</b>			5,40,747.32		
Current Liabilities		77,592.54			
Fixed Assets		3,751.80			
Investments		15,058.80			
Current Assets		3,80,188.83	45,734.80		
BUSINESS EXPENSES		2,775.75			
BUSINESS INCOME			52,958.00		
LIC OF POOLIA SHARMA			43,487.80		
LIC OF SATHISH CHAND SHARMA			14,504.80		
LIC OF VIRENDRA			1,25,067.80		
LOANS RECEIVED			22,468.80	24,258.80	
PAYMENTS EXPENSES		59,471.80			
RECEIPTS-INCOMES			1,50,065.00		
<b>Grand Total</b>		<b>7,80,984.32</b>	<b>7,80,984.32</b>		

Figure 5.13 : Trial Balance 57

### BALANCE SHEET OF M/S XYZ LTD AS ON 31-03-2009

Balance Sheet		Virendra Kumar		C/O + 11	
Liabilities		Virendra Kumar		Virendra Kumar	
		as at 31 Dec 2007		as at 31 Dec 2007	
<b>Capital Account</b>			5,40,747.32	Current Liabilities	77,592.54
Share & Loans				Investments	3,751.80
LOANS RECEIVED	1,25,067.80			Investments	15,058.80
Share & Loans	1,07,879.25			Current Assets	3,74,455.83
Closing Balance				LIC OF POOLIA SHARMA	43,487.80
Current Period	1,07,879.25			LIC OF SATHISH CHAND SHARMA	14,504.80
				LIC OF VIRENDRA	1,25,067.80
				LOANS PAID	
<b>Total</b>		<b>6,50,273.97</b>	<b>6,50,273.97</b>	<b>Total</b>	<b>6,50,273.97</b>

Figure 5.14 : Balance Sheet

Description	Amount	Description	Amount
<b>Share Capital</b>		<b>Fixed assets</b>	
Authorised Capital		Goodwill	
Paid up Capital		Land and Building	
Reserve and Surplus		Plant and Machinery	
Capital Reserve		Furniture and Fixture	
Other Surplus		Investment	
Secured Loans		Govt securities	
Debentures		Share Bond and Debenture	
Loans from Bank		Current Assets	
Other Loans		Loan and Advances	
Unsecured Loans		Sundry Debtors	
Fixed Deposits		Cash and Bank	
Advances from Bank		Stock in Trade	
Other Loans		Accrued Interest	
Current Liabilities		Loan and Advances	
Sundry Creditors		Bill of Exchange	
Advances from Bank		Miscellaneous Expenditure	
Provision for Tax		Commission on Underwriting	
Provision for P. dividend		Discount on Share	
Other Provision		Development Expenditure	
		Profit and Loss Account (loss)	
<b>Total Liabilities</b>		<b>Total Assets</b>	

### 5.2.8 DISPLAY OF REPORT

Once all the transactions are entered, you can generate different statements like trial balance, balance sheet and profit and loss account. There are no intermediate steps of entering subsidiary books and ledgers. Thus the process of accounting becomes quite easy and simple. At the same time speed also improves and consistency is maintained. Also no redundant data is stored at multiple places. Also the respective register such as purchase register, sales register, journal proper are automatically maintained on the basis of data entered in the form of vouchers. These registers can be viewed by

- Selecting Gateway of Tally > Report > Display > Accounts Books > Sales register.
- Selecting Gateway of Tally > Report > Display > Trial Balance.
- Selecting Gateway of Tally > Report > Display > Cashflow.
- Pressing Alt + P or selecting print option for button bar

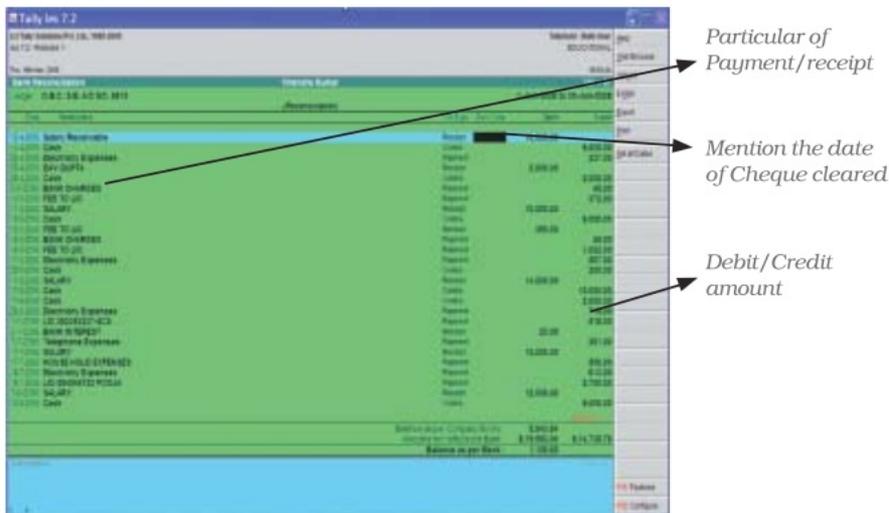
### 5.2.9 A SMALL PROJECT WITH BANK RECONCILIATION STATEMENT (BRS)

The following are the steps to construct BRS in Tally:

- Bring up the monthly summary of any Bank Book. (You can do this from the Balance Sheet, Trial Balance, or Display/Account Books/Bank Books, and selecting a Bank).
- Bring your cursor to the first month (typically April), and press Enter. This brings up the Vouchers for the month of April. Since this is a Bank Account, an 'additional' button F5: Reconcile will be visible on the right, Press F5.
- The display now becomes an 'Edit' screen in 'Reconciliation' mode. The primary components are: A column for the 'Bankers Date'.
- The 'Reconciliation' at the bottom of the screen,
- Balance as per Company Books

- Amounts not reflected in Banks
- Balance as per Bank

**Gateway of Tally>Display>Account s Books>Cash and Bank  
Book>Bank Account>Ledger>Press F5**



**Figure 4.15 : Bank Reconciliation Statement**

The Balance as per Company Books reflects your Balance as on the last date (in our example case, April 31).

The amount not reflected in bank is the debit and credit sums of all those vouchers whose Bank Date in either BLANK, or GREATER that April 30 (i.e. these vouchers have not yet been reflected in the bank Statement).

The Balance as per bank is the Net Balance.

You will find, as you mark of the individual vouchers by setting the 'Bank Date', that the Reconciliation at the bottom of screen keeps reflecting those changes instantly.

Upon completion, press+A (or press Enter as many times as necessary to skip over the unmarked vouchers), and accepted the screen. The next time you reconcile, you will be presented only with those vouchers with remain unrecognised. Thus, the task keeps becoming simpler.

### 5.3 NEED AND SECURITY FEATURE OF THE SYSTEM

Every accounting software provides data security; safety and confidentially; so every software provides of data security in three ways:

- **Password security**
- **Data Audit**
- **Data Vault**

**Password Security** Password is widely accepted security control to access the data. Only the authorised person can access the data. Any user who does not know the password cannot retrieve information from the system. It ensures data integrity. It uses a binary encoding format of storage and offers access to the database.

**Data Audit:** Audit feature of accounting software provides the user with administrator right in order to keep track of unauthorised access. to the database. It audit for the correctness of entries. Once entries are audited with alternations, if any the software displays all entries along with the name of the auditor user and date and time of alteration.

**Data Vault:** Software provides additional security for the inputted data and this feature is referred as data vault. Data vault ensures that original information is presented and is not tampered. Data vault password cannot be broken. Some software uses data encryption method.

### Function Key Combination

Windows	Functionality	Availability
F1	To select a company	At all masters menu screen
	To select the Accounts Button and Inventory buttons	At the Accounting/Inventory Voucher creation and alteration screen
F2	To change the menu period	At almost all screens in TALLY
F3	To select the company	At almost all screens in TALLY
F4	To select the Contra voucher	At Accounting/Inventory Voucher creation and alteration screen
F5	To select the Payment voucher	At Accounting/Inventory Voucher creation and alteration screen
F6	To select the Receipt voucher	At Accounting/Inventory Voucher creation and alteration screen
F7	To select the Journal voucher	At Accounting/Inventory Voucher creation and alteration screen
F8	To select the Sales voucher	At Accounting/Inventory Voucher creation and alteration screen
<u>F8</u> (CTRL+F8)	To select the Credit Note voucher	At Accounting/Inventory Voucher creation and alteration screen
<u>F9</u>	To select the Purchase voucher	At Accounting/Inventory Voucher creation and alteration screen
<u>F9</u> (CTRL+F9)	To select the Debit Note voucher	At Accounting/Inventory Voucher creation and alteration screen
<b>F10</b>	To select the Reversing Journal	At Accounting/Inventory Voucher creation and alteration screen
<b>F10</b>	To select the Memorandum voucher	At Accounting/Inventory Voucher creation and alteration screen
<b>F11</b>	To select the Functions and Features screen	At almost all screens in TALLY
<b>F12</b>	To select the Configure screen	At almost all screens in TALLY

### Special Key Combination

<b>Windows</b>	<b>Functionality</b>	<b>Availability</b>
<b>ALT + Z</b>	To Duplicate a voucher.	At List of Vouchers – creates a voucher similar to the one where you positioned the cursor and used this key combination.
<b>ALT + A</b>	To Add a voucher.	At List of Vouchers – adds a voucher after the one where you positioned the cursor and used this key combination.
<b>ALT + C</b>	To create a master at a voucher screen (if it has not been already assigned a different function, as in reports like Balance Sheet, where it adds a new column to the report).	At voucher entry and alteration screens, at a field where you have to select a master from a list. If the necessary account has not been created already, use this key combination to create the master without quitting from the voucher screen.
<b>ALT + D</b>	To delete a voucher. To delete a master. (if it has not been already assigned a different function, as explained above).	At Voucher and Master (Single) alteration screens. Masters can be deleted subject to conditions, as explained in the manual.
<b>ALT + E</b>	To export the report in ASCII, SDF, HTML OR XML format.	At all reports screens in TALLY.
<b>ALT + I</b>	To insert a voucher.	At List of Vouchers – inserts a voucher before the one where you positioned the cursor and used this key combination.
<b>ALT + O</b>	To upload the report at your website.	At all reports screens in TALLY.
<b>ALT + M</b>	To Email the report.	At all reports screens in TALLY.
<b>ALT + P</b>	To print the report.	At all reports screens in TALLY.
<b>ALT + R</b>	To remove a line in a report.	At all reports screens in TALLY.
<b>ALT + S</b>	To bring back a line you removed	At all reports screens in TALLY. using ALT + R.
<b>ALT+ V</b>	From Invoice screen to bring Stock Journal screen.	At Invoice screen/Quantity Field/ Press Alt + V to select the Stock Journal.

Windows	Functionality	Availability
ALT + W	To view the Tally Web browser.	At all reports screens in TALLY.
ALT + X	To cancel a voucher in Day Book/ List of Vouchers.	At all voucher screens in TALLY.
ALT + R	To Register Tally.	At Licensing Menu in TALLY.
CTRL + A	To accept a form – wherever you use this key combination, that screen or report gets accepted as it is.	At almost all screens in TALLY, except where a specific detail has to be given before accepting.
CTRL + B	To select the Budget.	At Groups/Ledgers/Cost Centres/ Budgets/Scenarios/Voucher Types/ Currencies (Accounts Info) creation and alteration screen.
CTRL + C	To select the Cost Centre.	At Groups/Ledgers/Cost Centres/ Budgets/Scenarios/Voucher Types/ Currencies (Accounts Info) creation and alteration screen.
	To select the Cost Category.	At Stock Groups/ Stock Categories/ Stock Items/ Reorder Levels/ Godowns/ Voucher Types / Units of Measure (Inventory Info) creation/alteration screen.
CTRL+ E	To select the Currency.	At Groups/Ledgers/Cost Centres/ Budgets/Scenarios/Voucher Types/ Currencies (Accounts Info) creation and alteration screen.
CTRL + G	To select the Group.	At Groups/Ledgers/Cost Centres/ Budgets/Scenarios/Voucher Types/ Currencies (Accounts Info) creation and alteration screen.
CTRL + I	To select the Stock Items.	At Stock Group/ Stock Categories/ Stock Items/ Reorder Levels/ Godowns/ Voucher Types / Units of Measure (Inventory Info) creation/alteration screen.
CTRL + L	To select the Ledger.	At Groups/Ledgers/Cost Centres/ Budgets/Scenarios/Voucher Types/ Currencies (Accounts Info) creation and alteration screen.
CTRL + O	To select the Godowns.	At Stock Group/ Stock Categories/ Stock Items/ Reorder Levels/ Godowns/ Voucher Types / Units of Measure (Inventory Info) creation/alteration screen.

Windows	Functionality	Availability
CTRL + Q	To abandon a form – wherever you use this key combination, it quits that screen without making any changes to it.	At almost all screens in TALLY.
CTRL+Alt+R	Rewrite data for a Company.	From Gateway of Tally screen.
CTRL + S	Allows you to alter Stock Item master.	At Stock Voucher Report and Godown Voucher Report.
CTRL + U	To select the Units.	At Stock Groups/Stock Categories/ Stock Items/Reorder Levels/Godowns/ Voucher Types/Units of Measure (Inventory Info) creation/alteration screen.
Ctrl + V	To select the Voucher Types.	At Groups/Ledgers/Cost Centres/ Budgets/Scenarios/Voucher Types/ Currencies (Accounts Info) creation and alteration screen. Special Function Key Combination

### Special Key Combination

Windows	Functionality	Availability
ALT + F1	To close a company. To explode a line into its details. To view detailed report.	At all the menu screen. At almost all report screen. At almost all screens in TALLY.
ALT+ F2	To change the system period.	At almost all screens in TALLY.
ALT + F3	To select the company info menu. At Gateway of Tally screen.	To create/alter/shut a Company.
ALT + F4	To select the Purchase Order Voucher Type.	At Accounting/Inventory Voucher creation and alteration screen.
ALT + F5	To select the Sales Order Voucher Type.  To view monthly and quarterly report.	At Accounting/Inventory Voucher creation and alteration screen.  At almost all report screens in TALLY.
ALT + F6	To select the Rejection Out Voucher Type.  To change the Sales Order Voucher Type.	At Accounting/Inventory Voucher creation and alteration screen.
ALT + F7	To select the Stock Journal Voucher Type To accept all the Audit lists	At Accounting/Inventory Voucher creation and alteration screen. At TallyAudit Listing screen
ALT+ F8	To select the Delivery Note Voucher Type. To view the Columnar report.	At Accounting/Inventory Voucher creation and alteration screen. At Ledger Voucher screen.

Windows	Functionality	Availability
ALT + F9	To select the Receipt Note Voucher Type.	At Accounting/Inventory Voucher creation and alteration screen.
ALT + F10	To select the Physical Stock Voucher Type.	At Accounting/Inventory Voucher creation and alteration screen.
ALT + F12	To filter the information based on monetary value.	At almost all report screens.
CTRL+ ALT+F12	Advanced Config.	At Gateway of Tally.

### Key Combination used for navigation

Windows	Functionality	Availability
PgUp	Display previous voucher during voucher entry/alter.	At voucher entry and alteration screens.
PgDn	Display next voucher during voucher entry/alter.	At voucher entry and alteration screens.
ENTER	To accept anything you type into a field.  To accept a voucher or master.  To get a report with further details of an item in a report.	You have to use this key at most areas in TALLY.  At the receivables report – press Enter at a pending bill to get transactions relating to this bill (e.g., original sale bill, receipts and payments against this bill, etc.).
ESC	To remove what you typed into a field. To come out of a screen.  To indicate you do not want to accept a voucher or master.	At almost all screens in TALLY.
SHIFT + ENTER SHIFT + ENTER	Collapse next level details.  To explode a line into its details.	At Voucher Register screen and Trial Balance report.  In almost all Reports: At a Group/ Stock Group/Cost Category/Godown/ Stock Category – displays Sub Groups and Ledgers/Stock Items/Cost Centres/ Secondary Godowns/Secondary Stock Categories. At a Voucher – displays its entries and narration.At a Stock Item-displays its godowns and batch details.At Voucher Register screen – displays the next level details.At Trial Balance report - displays the next level details.
CTRL + ENTER	To alter a master while making an entry or viewing a report.	At voucher entry and alteration screens At all reports.

## Summary

• In computerised accounting system, accounting transactions are journalised by two methods (1) manually (2) computerised. In the present computerized accounting system are more and more effective in comparison of manual system of accounting. There are different type of accounting softwares in market but Tally 9.0 is more effective accounting software. Tally 9.0 software have a different features these are

i) **Gateway** - Gateway is the starting of Tally. In other words we can say that gateway is the gate to enter in Tally.

ii) **Company creation** - Before inputing accounting transactions, first we create a company through company creation.

iii) **Chat of accounts** - Chart of accounts is the segmentation of Liabilities and Assets of Balance Sheet and preparation of Profit and Loss account.

iv) **Account master** - Account master basically used for account group and ledger .

v) **Voucher entry** - After creation of account user inputs accounting voucher entry in the book of accounts. In computerised accounting system all entries are inputed through a voucher entry.

vi) **Trial Balance** - Trial balance is the statement of different closing balances of ledger.

vii) **Balance Sheet** - The balance sheet is constructed by simply posting all items of liabilities and assets for the fmalisation of journal entry.

• **Report printing** - Report printing is the last step of accounting process.

• Accounting software can be used to successfully maintain the financial transactions of any organisation. Besides data maintenance, these prove to be very efficient when we have to generate accounting reports, which are crucial for decision making in an organisation. These software packages have many more features, which can be explored and used depending on the type of transaction details you require.

## EXERCISE

### Q. 1. MULTIPLE CHOICE QUESTIONS

A. To create group which menu is used?

- Gateway of Tally> master >accounts info> create
- Gateway of Tally> master >accounts info> alter
- Gateway of Tally > master >accounts info > display
- Gateway of Tally> master >accounts info> edit

B. To create ledger which menu is used ?

- Gateway of Tally> master >accounts info >ledger> create
- Gateway of Tally> master >accounts info> ledger >alter
- Gateway of Tally> master >accounts info> ledger >display
- Gateway of Tally> master >accounts info> ledger>edit

C. Which short cut is used to shift "company information menu" form gateway of Tally?

- Alt+ F3
- Alt + Escape

c. Shift+ F3

d. Shift+ F1

D. In which group will you record the expense of light bill of Factory?

a. Direct income

b. Direct Expense

c. Indirect income

d. Indirect Expense

E. While recording the voucher entry if it is necessary to create a new ledger for that which commands is used in Tally?

a. Ctrl + C

b. Ctrl + G

C. Alt+ C

d. Alt+ G

F. While creating ledger if you want to create new group which key is pressed?

a. Ctrl + C

b. Ctrl + G

c. Alt+ C

d. Alt+ G

G.. ..... works as a platform to work with Tally

a. Gateway of Tally

b. Outway of Tally

c. Company information

d. All the above

H. How many characters are used to create company's short name?

a. 2

b. 4

c. 3

d. 5

## Q. 2. ANSWER THE FOLLOWING QUESTIONS

1. How do you begin using Tally accounting software?

2. What menu option is available on the gateway of Tally screen?

3. What is the use of Button bar in Tally accounting package?

4. What are the contents of Balance Sheet in Tally?

5. What do you mean by Account Info?

6. Explain the process of Company Creation?

7. "Report generating is not a easy task" Is this statement true or false Explain?

8. Describe the various contents of Profit and Loss Account?

9. Describe the process of creating a Group company and how would you Display and Alter a Group account?

10. Describe Tally 9.0 and what are the new features of 9.0, and explain the various items of the Tally screen?

**Q. 3. SKILL REVIEW**

1. From the following transactions of Ashirwad Ltd, post the voucher entries in the respective ledger accounts, prepare a trial balance and balance sheet.

- i. Started a business with cash Rs 40,000
- ii. Goods of Rs 10,000/-were purchased at 10% trade discount
- iii. Goods of Rs 5,000/-were sold with a profit of 40% to Arjun
- iv. Commission received Rs 500
- v. Cash deposited Rs 7,000 in a bank
- vi. Return of goods Rs 1,500
- vii. Salary paid Rs 2,500
- viii. Wages paid Rs 350

**• ANSWERS**

- 1. a
- 2. a
- 3. a
- 4. d
- 5. c
- 6. b
- 7. a
- 8. b

**Note**

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