

**SARDAR PATEL UNIVERSITY**  
**SY BCom (EXTERNAL)**

**Principal of Economics Paper: II**

This paper constitutes money, banking employment, income determination theory of international trade and public finance, the topics, which are important components towards understanding business economics. These topics will help the commerce students to have a clear understanding of the economic system. As the course also detail with the functioning of the economy as a whole, it will make the BCom students aware with the basic theoretical framework.

- (I) **Basic Concepts:** Money meaning function and classification. Role of money, Money standards
- (II) **2.1: Value of Money:** Theories of money Quantity theory, cash transaction and case balance approaches, Keynesian approach, Measurement of the value of money-index number: uses and limitations.
  - 2.2: Inflation, deflation, reflation – meaning, Types, causes, effects and remedies of inflation,
- (III) **Building:**
  - 3.1: Commercial Banking – meaning, types, functions, credit creation, liabilities and assets, Nationalization – objectives, progress.
  - 3.2: Central Banking – Functions of central bank, credit control: Quantitative and Qualitative methods, Bank rate policy, reserve ratio. RBI its role and functions, Monetary Policy: Meaning objectives, limitations.
- (IV) **Employment and Income Generation:**
  - 4.1: Classical theory of employment – Say’s law markets.
  - 4.2: Keynetian theory of employment, Acceleration principle and multiplier. Keynetian theory in developing economy
- (V) **International Trade:**
  - 5.1: Importance of trade in economics growth, comparative cost theory opportunity cost theory and absolute advantage theory.
  - 5.2: Terms of trade, balance of trade and balance of payment: Concepts and components, Disequilibrium in balance of payment – causes effects and remedies.
  - 5.3: Rate of exchange: Determinants of rate of exchange –demand and supply approach, purchasing power parity theory, Devaluation-, merit, demerits, limitations.
  - 5.4: International Monetary System, I.M.F. World Bank, Currency Convertibility. Reforms in international monetary system,
  - 5.5: WTO and Indian: Composition of Indian foreign trade- recent changes in composition and direction. Trade reforms in India, exports promotion, EXIM Policy. WTO- conditionality
- (VI) **Public Finance:**
  - 6.1: Taxation: Meaning, importance in revenue and recourse mobilization, structure of Indian tax system. Impact of taxes, Incidence, effects, Taxable capacity, Equity in taxation
  - 6.2: Public Expenditure: Meaning, objectives, composition, growth, effects.
  - 6.3: Public Debt: Meaning, composition, burden, effects, servicing effects.
  - 6.4: Fiscal Reforms: Tax reforms, expenditure management.
  - 6.5: Budget: Meaning, salient features of the current union budgets.

## English & Business Communication-II

### Text:

The mill David Copperfield Chales Dickness  
(Madhuben Abridged Classics)

### Objective:

To equip the students with the language proficiency and skills necessary for Business Communication

### Specific Objectives:

- (i) To develop the skill of independent reading with comprehension.
- (ii) To develop the skill of writing various kind of business letters.

### Course Content:

#### Section-I (A text prescribed for detailed study)

Unit-I Two text-based essay type questions

Unit-II Two Text-based short notes

Unit-III

- (a) Types of communication: Upward-Downward-Horizontal-Grapevine-Consensus
- (b) Miscommunications (Barriers)  
(Short notes be asked)

#### Section-II

Unit-IV

- (a) Office Memorandum  
(Granting permission, refusing permission, seeking explanation, reprimand and warning)
- (b) Letter of Complaints and Adjustments:  
(Letters concerning delivery of goods, wrong goods, inferior quality, damaged goods, bad service, insolent behavior, mistakes in bills, defective goods, shortage in goods, unsatisfactory goods, miscellaneous.)

Unit-V

- (a) Collection Letters:  
(Sending the statement or Bill, the reminder stage, requests for payments, final appeal for co-operation, threats and warning, legal action)
- (b) Banking Correspondence between Bank and its Customers;  
(Opening of accounts, closing of accounts, customers inquiries, customers complaints, dishonouring of cheques, overdrawn accounts, loan and overdraft facilities, securities for advances)

Unit-VI

- (a) Agency Letters:  
(Finding and agent formal agency agreements, application for agencies, offers for Agencies Commission, working and services of agents, poor sales termination of Agency, friction between the principal and an agent).
- (b) Insurance Letters:

Life: (Intimation of lapsed policy, surrender value of policy, loan against policy, claims.)

Fire: (Proposal of policy, issuing cover note, informing the insurance company of the transfer of goods, losses and claims, settling of claims, contesting claims.)

**Reference Books:**

1. Developing Communication Skills  
by Krishna Mohan and Meera Benerji
2. Effective Business Communication  
by Aha Kaul  
(Prentice Hall –Economy Edition)
3. Principles and Practice of Business Communication  
by Rhoda Doctor & Aspi H. Doctor  
(Sheth Publication Mumbai)
4. Business Communication  
by U.S. Rai and S.M. Rai  
(Himalaya Publishing House)
5. Essential of Business Communication  
by Rajendra Pal & J.S. Korlahali  
(Sultan Chand & Sons, New Delhi)
6. Communicative Competence in Business English  
by Robinson, Netrakanti and Shintre  
(Orient Longman –Hyderabad)

## **HUMAN RESOURCE MANAGEMENT**

1. Conceptual Foundation: Human Resource Management:  
Concept, Nature, Scope, Functions, Structural Design of human resource department, Recent trends, Future challenges.
2. Human Resource Planning: -
  - (a) Job Analysis: Concept, Need; a brief idea of description and specification.
  - (b) Human Resource Planning: Concept, Need, techniques of HRP, HR Planning Process, HR inventory, HR audit, HR turnover.
3. Procurement:  
Recruitment, Concept, importance, sources, a detail study of various stages of recruitment and selection process.
4. Human Resource Development:
  - (a) HRD Concept, System, Functions, HRD experience in various sectors.
  - (b) Training: Need, importance, factors affecting to training programme, type of training.
  - (c) Method of Training: Operative training, on the job, Vestibules, apprenticeship, Executive Development: Case study, Role playing, T- group, Grid training.
5. Promotion, Demotion, Transfer:  
Promotion, Concept, Objectives, Policy, Demotion Concept, Cause, effects, Transfer, Concept, Purposes.
6. (a) Performance Appraisal:  
Concept, importance, methods: Ranking-checklist, BARS problems of PA.  
(b) Job Evaluation:  
Concept, objectives, procedure, merits, Methods, Factor comparison, Packaged point system.
7. Employee Management Relations:
  - (a) Trade Union: Concept, Characteristics, Objectives, Functions, growth of trade union in India.
  - (b) Collective Bargaining: Concept, nature, importance, process.
  - (c) Industrial Relation: Concept, Scope, Industrial Disputes, Causes, Prevention, Settlement machinery.
8. At least one case in topic No. 3, 4, and 5 should be discussed

## BUSINESS ORGANISATION – II

### (A) Material Management:

- (1) Introduction: - Meaning, Scope and Importance of Material Management  
Functions of Material Management.
- (2) Purchasing : Concept, centralised v/s decentralised purchasing. Purchase procedure including Import of material – Methods of purchasing including aspect of purchasing.
- (3) Management of stores: Concept – Layout of stores – safety measures of stores.
- (4) Inventory Management: Concept – Methods – Materials handling  
- Meaning and needs.
- (5) Sources of suppliers: Selection of vendors factors affecting selection of vendors, process.

### (B) Production Management:

Plant Location: - Concept, factors affecting plant location, theories of plant location

- (1) Factory Layout - Concept – Types of manufacturing processes.
- (2) Production Planning and production control: Concept and needs, production control process; pre-planning, routine, scheduling, dispatching and follow-up.
- (3) Quality Control: Concept – methods.
  - (1) Inspection Method – 100% inspection or a sample inspection.
  - (2) Statistical Quality Control Methods.
    - (i) Various types of control charts.
    - (ii) Pareto analysis (Only theory)
- (3) Automated control

### (C) Case Study to be taught in

- (1) Purchasing
- (2) Storekeeping
- (3) Factory Lay-Out.

## BUSINESS STATISTICS

Introduction: Statistics as a subject. Definition of statistics, scope of statistics, limitations of statistics. Descriptive statistics, inferential statistics. Types of data. Primary and secondary data. Methods of collecting primary data.

(i) Schedule (ii) Questionnaire (iii) interview (all without formulation).

Summation ( $\Sigma$ ) operation and its rules.

### 1. Analysis of Univariate Data

Construction of a frequency distribution. Concept of central tendency. Measures of central tendency (i) Arithmetic mean (ii) mode (iii) median and their uses. Combined mean. Characteristics of a good measure of central tendency.

Partition values (I) deciles (ii) quartiles (iii) percentiles.

Concept of dispersion. Measures of dispersion (i) range (ii) quartile deviation

(iii) Variance (iv) Standard deviation (v) Coefficient of variation.

(vi) Combined variance.

### 2. Analysis of Bivariate Data

Correlation: Introduction, meaning, definition, types of correlation. Definition of correlation coefficient ( $r$ ), its interpretation and properties (without proof). Methods of studying correlation coefficient: (i) Scatter diagram method. (ii) Product moment correlation coefficient. (iii) Spearman's rank correlation coefficient. (iv) Method of concurrent deviation. Correlation coefficient for bivariate frequency table. Probable error.

Linear Regression: Introduction, meaning, definition of regression. Regression equations, regression coefficients and their properties. Properties of regression lines (without proof).

### 3. Index Numbers:

Introduction, meaning, definition, types and uses of index numbers. Limitations of index numbers. Methods of constructing price and quantity indices. (i) Laspeyre's method (ii) Fisher's method. Test of adequacy (i) Factor reversal test (ii) Paasche's method (iii) Time reversal test. Chain base index numbers. Base shifting. Problems in constructing index numbers.

### 4. Analysis of Time Series:

Definition, meaning, uses of time series, Components of time series. Methods of finding trend: (i) moving averages method (3, 4 & 5 years) (ii) Least squares method (only linear trend). Computation of seasonal indices by simple averages.

### 5. Statistical Quality

Meaning and uses of S.Q.C. Definition of S.Q.C. Variation in quality. Chance causes and assignable causes of variation. Use of  $3\sigma$  limits in S.Q.C.

Control charts for variables:  $\bar{X}$  Theory of Probability and R charts.

Control charts for attributes: p, np and c charts.

Difference between control charts for variables and attributes.

### 6. Theory of Probability.

Probability as a concept. Basic terminology, Random experiment. Algebra of events-union, intersection, complement, difference. Introduction of permutation and combination. The three approaches to defining

probability. Addition and multiplication laws of probability for two events with proof and its extension (without proof). Conditional probability.

7. Probability Distributions.

Probability distribution as a concept. Binomial, Poisson and Normal distributions. Their properties and parameters. Applications to business.

Reference Books:

1. Lewin and Rubin: Statistics for Management; Prentice-Hall of India, New Delhi.
2. D.C. Sancheti and V.K. Kapoor: Statistics (Theory, Methods & Application), Sultan Chand and Sons, New Delhi.
3. Murray R. Spiegel and Larry J. Stephens: Statistics, Schaum's Outline, Tata Mc-Graw Hill, New Delhi.
4. Hooda, R. P.: Statistics for Business and Economics; Macmillan, New Delhi.
5. Hoel and Jessen: Basic Statistics for Business and Economics; John Wiley and Sons, New York.
6. Ya-Lun Chou: Statistical Analysis with Business and Economic Applications, Holt Rinehart and Winster, New York.

## ACCOUNTANCY –II

### (1) Issue and Redemption of Debentures

Introduction – Types of Debentures – Accounting entries on issue of Debentures and repayment of Debentures- Writing off loss on issue of Debentures and Debentures

Discount – Redemption of Debentures –

- (i) Purchase of own debenture from open market.
- (ii) Sinking Fund Method. Convertible Debentures (only theory)
- (iii) Different kinds of Consideration.
- (iv)

### (2) Redemption of preference Shares and Issue of Bonus Shares:

Redemption of preference shares –procedure – Accounting entries and Balance sheet after redemption of preference shares – Issue of Bonus shares –Cash Bonus –

Guidelines on issue of Bonus Shares – Sources of Bonus Shares – Accounting entries for Bonus share and also combined example of Redemption of Preference shares and issue of Bonus shares –(Excluding Calculation of quantum of Bonus).

### (3) Company Final Accounts:

Vertical presentation of Accounting Statements with schedules:

#### (1) Accounting Ratios

Meaning of Accounting Ratio-Utility and limitations of Ratio-Analysis,

Classification of Accounting Ratio; Profit and Loss Account of Ratio of one company for two years & comparison of Ratio of TWO companies on following Ratios:

- |                          |                                    |
|--------------------------|------------------------------------|
| 1. Gross profit Ratio    | 7. Debtor' Ratio.                  |
| 2. Net Profit ratio      | 8. Proprietary Ratio               |
| 3. Operating Ratio       | 9. Return on Shareholder's Funds   |
| 4. Current Ratio         | 10. Return on Equity-Share capital |
| 5. Liquidity Ratio       | 11. Debt-Equity Ratio              |
| 6. Stock Turn Over Ratio |                                    |

### (5) Preparation of Common size financial statements and InterFirm Comparison; (only theory).

Introduction- Characteristics of Financial Statements – Objectives of Financial statements – Analysis and Methods of Financial statement- Methods:

- (A) Comparative Statement Analysis
- (B) Trend Percentage Method
- (C) Statements.



(6) Accounting Standards:

Disclosure of Accounting Policy (As-1) - Valuation of Inventories (As-2) –Depreciation (As-6), Revenue Recognition (As-9) (theory only)

(7) Valuation of Shares and Goodwill :

Goodwill; Definition – Factors affecting value of Goodwill precautions in valuing goodwill- Need for valuation – Methods of valuing good will- Example of goodwill on Average Profit Method and Super profit Method only.

Share: Need for valuation of shares – Factors affecting the valuation of shares – Methods of valuation – Example of valuation of shares on Intrinsic value; yield basis valuation and Fair value.

## **ADVANCED ACCOUNTING AND AUDITING P-II**

### 1. Purchase of business by company including profit prior to incorporation:

#### (a) Business Purchase:

Introduction – Concept capital reserve-purchase consideration –Entries in the Book of the purchasing company regarding Debtors and Creditors taken over on behalf of vendors only.

#### (b) Profit prior to incorporations:

Meaning – Method of ascertaining of profit (or loss) Profit-Treatment of Loss prior to Incorporation-calculation of Sales Ration-Example.

### 2. Amalgamation and Absorption of Companies.

Introduction – Purpose of amalgamation and absorption- Calculation of Purchase Consideration – Net assets Method – Consideration Method, Accounting entries & Ledger A/C. in the books of vendor company & purchase company (Excluding Example based on inter-company holding-internal indebtedness. Internal bills. Profit Unrealized including stock).

### 3. Capital Reorganization & Reduction of Capital (Internal Reconstruction)

Methods of reducing share capital-Reduction of share capital by cancellation of unissued share Capital-legal procedure for capital reduction under section 100 Accounting entries (a) Entries for cancellation of uncalled capital (b) Entries for return of capital (c) Entries for writing off capital loss.

### 4. Liquidation of Companies-Liquidator's Final Statement of Accounts:

Introduction – Voluntary winding up-circumstances & mode of voluntary winding up (a) Liquidator's Receipt (b) Liquidators payments (c) Disbursements by the Liquidators- Adjustment of contributories right-Calculation of Liquidator-remuneration – Interest of debenture-preference Dividend – Preparation Liquidators Final statement.

### 5. Accounting of Banking companies:

Important provision of Banking Regulation Act 1949 (Share Capital Statutory Reserve Fund – Payment of Dividend – Cash reserve – Liquidity norms – Disposal of non banking assets) Classification of Bank Advances on the basis of Assets performance – Rebate on bills discounted – examples based on new formats of Balance sheet & profit & loss. Account of Bank.

### 6. Consolidated Balance Sheet of holding Companies:

Companies with one subsidiary only with (Simple adjustments of capital profit,

Revenue Profit inter firm transaction & uncalized profit on stock only).

7. Accounting system of general Insurance Company:

Preparation of Revenue Account only – Explanation pf term related to Premium,  
Claim, and Commission & Reserve.

## **ADVANCED ACCOUNTING AND AUDITING PAPER –III**

### 1) Introductions:

Meaning, Signification, Advantage, Importance and Limitation of Cost accountancy, Difference V/S financial accountancy and cost accountancy – Element of cost – fixed and variable expenses of costing center-cost unit.

### 2) Material Cost:

Definition and type of material-Material control-store Routine-setting levels: maximum, minimum, Re-ordering level, Danger level, Re-ordering quantity, Economics order quantity (examples only) advantage of efficient stores accounting – methods of pricing material (Theory only) Inventory valuation material record – ABC Analysis (Examples)

### 3) Labour Cost:

Time Recording- Time keeping wage system-feature of good wage system-various system- Time wage, piece wage, piece-wage, incentive wage plans-payment of wages Idle time, over time Casual worker-Labour Turnover computation of wage on piece rate, time rat time Halsey and Rowan method (only).

### 4) Overhead Expenses:

Classification of overhead Apportionment of overheads-Apportionment of service department overheads under Non-reciprocal bases and Repeated distribution method absorption of overheads-Machine Hour Rate-Examples on Apportionment of Overhead and machine Hour Rate only.

### 5) Methods of Costing:

1. Unit Costing –preparation of cost-sheet inclusive of tender.
2. Job and contract costing work uncertified work – work in progress Concept of excelation clauses Example based on incomplete contract only.
3. Process costing Normal wastage, abnormal wastage, abnormal gain, Joint product, By product, Example upto three process including of normal, Abnormal loss.
4. Operating costing Example of Transport Company.

### 6) Reconciliation of Cost and Financial Accounts.

Causes of disagreement of profit of cost and financial accounts-Example.