# Centre for Distance & Online Education UNIVERSITY OF JAMMU JAMMU



# SELF LEARNING MATERIAL B.Ed. SEMESTER-II

SUBJECT: Teaching of Commerce UNIT: I-IV

Course No. : 205 LESSON NO. : 1 to 12

Programme Coordinator

Dr. Jaspal Singh Warwal

jaspal jammuuniversity @yahoo.com

Printed and Published on behalf of the Centre for Distance & Online Education, University of Jammu, Jammu by the Director, CD&OE, University of Jammu, Jammu

http:/www.distanceeducationju.in

# **TEACHING OF COMMERCE**

Course Contributors

Ms Shveta Mahajan

Dr. Pinky Devi

Assistant Professor in Commerce, Government Degree College, Kathua

Dr. Jyoti Sharma

Lecturer Udhampur Campus, University of Jammu Format Editing / Course Editor

Dr. JASPAL SINGH

CDOE, University of Jammu. Jammu

© Centre for Distance & Online Education, University of Jammu, Jammu, 2025

- All rights reserved. No part of this work may be reproduced in any form, by mimeograph or any other means, without permission in writing from the CD&OE, University of Jammu
- The script writed shall be responsible for the lesson/script submitted to the CD&OE and any plagiarism shall be his/her entire responsibility.

Printed at: Mehjoor Art Press, Sidco Industrial Complex, Rangreth, Srinagar Ph: 9419009510

# Bachelor of Education (B.Ed) through Open and Distance Learning (ODL) Semester -II

(For the examination to held in the year 2025,2026 & 2027) Methodology of teaching subject-I

Course no. 205 Title: Teaching of Commerce

Credits 4 Total Marks: 100

Maximum Marks Internal: 30 Maximum Marks External: 70

**Duration of Exam: 3hrs** 

**Objectives:** 

#### To enable the pupil teachers to:

• Acquaint themselves with the concept of commerce education

- Familiarize themselves with the concept of curriculum, text books and cocurricular activities in commerce
- Prepare a lesson plan
- Understand some important areas of commerce

#### Unit -I

Introduction to commerce education. Nature and scope of commerce education.

Aims and values of teaching commerce in secondary school.

Behavioral objectives .Meaning and importance of behavioural objectives, steps for preparing behavioral objectives for teaching of commerce.

#### Unit- II

Curriculum. Meaning, importance and principles of designing a good curriculum for commerce. Concentric, topical and integrated approaches in organising curriculum for commerce.

Textbooks. Meaning importance and role of textbooks in teaching of commerce. Qualities of a good textbook of commerce.

Co-curricular Activities. Meaning and importance of co-curricular activities . Steps of organising co-curricular activities.

#### **Unit-III**

Lesson planning: Meaning, importance and principles of writing lesson plans in teaching of commerce.

Steps for preparing a lesson planning through Herbartian and RCEM approach.

Preparing a lesson plan on a topic of commerce.

# Bachelor of Education (B.Ed) through Open and Distance Learning (ODL) Semester -II

(For the examination to held in the year 2025,2026 & 2027) Methodology of teaching subject-I

Course no. 205 Title: Teaching of Commerce

Credits 4 Total Marks: 100

Maximum Marks Internal: 30 Maximum Marks External: 70

**Duration of Exam: 3hrs** 

#### **Unit IV**

Difference between book keeping and accountancy.

Journal, subsidiary books, ledgers, trail balance, errors and rectification trading, profit and loss accounts and balance sheets.

Auditing, Interpretation of financial statements – Electronic accounting.

#### Sessional Work:

To prepare a balance sheet of a financial institution

#### **Note for Paper Setters**

The Question paper consists of 9 questions having Q no 1 as Compulsory having four parts spread over the entire Syllabus, with a weightage of 14 marks. The rest of Question paper is divided into four Units and the students are to attend four Questions from these units with the internal choice. The essay type Question carries 14 marks each. Unit IV having the sessional work/field work (section) could also be a part of the theory paper.

Internship/field work Unit IV having the components/activities of the internship are to be to be developed in the form of the Reflective Journal. All the activities under the internship are to be evaluated for credits and hence all the activities are to be showcased by the trainee and are to be fully recorded with the complete certification of itsgenuineness.

The Theory paper is to have 70 marks (external). 30 Marks are for the In House activities **Books recommended** 

- Aggarwal, J.C.(2009). Teaching of commerce. Vikas Publishing House Pvt. Ltd. Noida.
- GuptaRainu (2009). Teaching of commerce. Shipra Publications. New Delhi.
- NCERT. (2013) Commerce. Publication Division. NCERT Carnpus, New Delhi
- Singh, Y.K. (2005). Teaching of commerce. A P H Publishing, New Delhi.

# TEACHING OF COMMERCE

# **CONTENTS**

UNIT NO.	LESSON NO.	TITLE	LESSON WRITERS	PAGE NO.
I	Lesson 1	Introduction to commerce education. Nature and scope of commerce education.	Ms. Shveta Mahajan	7
	Lesson 2	Aims and values of teaching commerce in secondary school.	Ms. Shveta Mahajan	16
	Lesson 3	Behavioral objectives. Meaning and importance of behavioural objectives, steps for preparing behavioral objectives for teaching of commerce.	Ms. Shveta Mahajan	30
Π	Lesson 4	Curriculum. Meaning, importance and principles of designing a good curriculum for commerce. Concentric, topical and integrated approaches in organising curriculum for commerce.	Dr. Pinkey Devi	46
	Lesson 5	Textbooks. Meaning importance and role of textbooks in teaching of commerce. Qualities of a good textbook of commerce.	Dr. Pinkey Devi	70
	Lesson 6	Co-curricular Activities. Meaning and importance of co-curricular activities . Steps of organising co-curricular activities.	Dr. Pinkey Devi	82

# **CONTENTS**

UNIT NO.	LESSON NO.	TITLE	LESSON WRITERS	PAGE NO.
Ш	Lesson 7	Lesson planning: Meaning, importance and principles of writing lesson plans in teaching of commerce.	Dr. Jyoti Sharma	97
	Lesson 8	Steps for preparing a lesson planning through Herbartian and RCEM approach.	Dr. Jyoti Sharma	117
	Lesson 9	Preparing a lesson plan on a topic of commerce.(Herbartian and RCEM Approach)	Dr. Jyoti Sharma	133
IV	Lesson 10	Difference between book keeping and accountancy.	Ms. Shveta Mahajan	144
	Lesson 11	Journal, subsidiary books, ledgers, trail balance, errors and rectification trading, profit and loss accounts and balance sheets.	Dr. Pinkey Devi	153
	Lesson 12	Auditing, Interpretation of financial statements - Electronic accounting.	Dr. Jyoti Sharma	248

LESSON NO. 1 UNIT-I

# INTRODUCTION TO COMMERCE EDUCATION

#### **STRUCTURE**

1.1	Introduction
1.2	Objectives
1.3	Meaning of Commerce
1.4	Introduction to Commerce Education
1.5	Problems of Commerce Education
1.6	Nature of Commerce Education
1.7	Scope of Commerce Education
1.8	Need of Commerce Education
1.9	Importance of Commerce Education
1.10	Lesson End Exercise
1.11	Let Us Sum Up
1.12	Suggested Further Readings

Answers to Check Your Progress

#### 1.1 INTRODUCTION

1.13

The explosion of information in science and technology has influenced every area of life, including business and commerce. The increasing complexity of business and commerce organizations in the present day work would make it obligatory for all students to be conversant with modern principles and practices of management. New and useful course, according to the market requirements have to be introduced. There has to be interactions between the industry and educational institutes.

One has to take into account that job opportunities are now almost negligible and students personalities have to be developed with entrepreneurial attitude. An ingredient of consultancy services has also to be introduced in commerce education.

#### 1.2 **OBJECTIVES**

After going through this lesson, you shall be able to:

- define commerce and commerce education,
- explain the nature and scope of including commerce education in school curriculum,
   and
- explain the importance of commerce education in school curriculum.

#### 1.3 MEANING OF THE TERM COMMERCE

The meaning of commerce represents that particular domain of knowledge which deals with concepts, principles, theories, processes and skill that could be applied in the proper conduct of all tasks and transactions related to commercial activities. This is followed by the planning for convenient but cheap means of storing the goods, adopting scientific procedures for their trade and making provisions for effective distributions and customer services. It would also involve issues of financial provision, financial stability, insurance against various hazards, etc.

Definition of the term commerce:

According to **Dr. Evelyn Thomas**, "commerce is a term that embraces all those functions involved in the making, buying, transport and selling of goods."

According to **James Stephson**, "commerce is concerned with exchange of goods, with all that is involved with the buying and selling of goods, at any stage in their progress from consumer's hand. It covers not only the functions of buying, selling of goods but also the many services which must be provided to finance, insurance, store and transfer of goods in the course of this exchange."

# **Check Your Progress-1**

Note: a) Answer the questions given below.

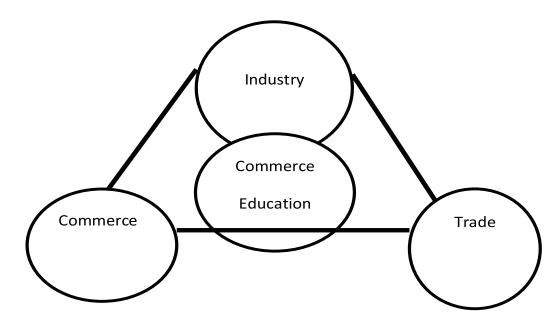
- b) Compare your answers with those given at the end of this lesson.
- 1. Bring out the definition of commerce by James Stephenson

#### 1.4 INTRODUCTION TO COMMERCE EDUCATION

A subject is accept as a unique discipline for study because it conveys specific meanings and also possesses important characteristics which in turn lead to worthwhile functions to be served for the benefit of the society. The subject can be dealt with in such a and importance of discipline, only if teacher understands and appreciates these way as posed by the nature scope and importance of discipline, only if the teacher appreciates these. This is very true of commerce.

Commerce education is an educational strategy and relates to real organizational problems. Commerce education in India was started in 1886. Since then it has experienced tremendous growth.

The important function of commerce education is analyzing and matching the role and the person, developing equableness and developing self-reviving capacity. It is flexible, realistic and makes a person sensitive to the problems of his surroundings work environment. Commerce education enables a person to tackle crucial assignments.



#### **Definition of Commerce Education:**

In 1922 **LYON** stated commerce as "any education which a businessman has and which makes him a better businessman is for him a commerce, no matter whether it was obtained in the wall of a school or not."

According to **PAUL. S. LOMARE** (1928): "Commercial education is fundamentally a programme of education that has to do with the acquirement, conservation and spending of wealth."

In 1933 **Nichols** defined commerce education as follows, "commerce education is a type of training which while playing a part in the achievement of the general aims of education on any given levels, has for its primary objective the preparation of people to enter upon a business career or having entered upon such a career or having entered upon such a career to render more efficient services therein and to advance from their present levels of employment to higher levels."

According to **SHIELDS**: "Real commerce education is economic education, not of academic sort, Long on theory and short on facts, but economic education, not of academic sort, long on theory and short on facts, but economic education which will give the student a knowledge of the basic realities of business life and relationships. The basic science of business of economics and without a through groundings and awareness of economic problems much of the material included in secondary schools"

From the different views about commerce education it can be easily concluded that is helpful in one's life as well as vocation. The skill in type of writing is most important and this is part of commerce education. Commerce is useful for all professions. It is necessary that way professional lawyer, doctor, engineer can be benefitted from commerce education.

## 1.5 PROBLEMS OF COMMERCE EDUCATION

- i. Craze for medicine, engineering, management and IT courses.
- ii. Unpopularity of commerce at competitive examinations the syllabi of commerce at competitive is not attracting even the meritorious commerce students.
- iii. Commerce graduates are not eligible for teacher training courses, such as B.ED in many states.
- iv. Lack of knowledge about commerce at school level as commerce education is not introduced at school in many states.
- v. No preference or reservation for commerce graduate either in employment or in admission to professional courses like C.A, C.W.A, C.S, M.B.A, etc.
- vi. Poor teaching in many colleges forcing many students to go for tutions, which means additional costs.
- vii. High student low teacher ratio.
- viii. Lack of proper infrastructure: it is sometimes remarked that many colleges are virtually academic schools.
- ix. Instructional in regional media and inadequate or non-availability of reading material in regional medium.

- x. Inadequate teaching aids like commerce lab, CCTV-Video films.
- xi. Untrained and ill-equipped teachers.
- xii. It is more content oriented rather than skill and practice oriented.

#### 1.6 NATURE OF COMMERCE EDUCATION

"Commerce education" is in India, what we call "business education" in the United States. The idea behind it is that every type of career engages in some type of business and thus needs to know the basics of interactions with customers, finance management, etc. The nature of commerce education is as follows:

- 1) **Both science as well as art:** As science is a systematic study or knowledge that tells the cause and effect relationship and 'art' on the other side means expertise in applying the knowledge in real life situations to solve problems. Therefore, like other science, the theories and principles of commerce, help in studying the cause and effect relationship in different business situations. It plays a vital role in the process of decision making which is the most important aspect of business world. On the other hand, a great level of expertise is required to successfully apply the theories and principles in real life business situations and commerce Education for the same.
- 2) **Both academic and vocational subject:** Commerce education is an academic discipline that only helps in learning principles and postulates of business education but also greatly helps in professional preparation or a career of teaching. Commerce education should be an essential part of course curriculum in school education so that every citizen could be able to better understand and use his business concepts of proves training to learning a lot of skill and practices to gain the accurate applied knowledge of commerce education in real life situations.
- 3) Both knowledge and skill subject: Commerce is an academic discipline hence it serves as a preparatory to higher education to enhance the knowledge regarding business education and on the other hand it is also a skill subject by which one can enter into the career of employment by rendering has acquired practical knowledge in real life situations.

#### 1.7 SCOPE OF COMMERCE EDUCATION

The scope of commerce education can be studied with the help of three areas of study, which is as follows:

i. Commerce education as a part of general education.

- ii. Knowledge about commerce as a background understanding.
- iii. Commerce study as a specialized subject.
- i. Commerce education is a part of general education: This includes the knowledge about commerce that is needed by people, non-commerce as also the commerce people. Such knowledge is required by the people for handling his commercial affairs more successfully. This type of knowledge also helps the individual to become an intelligent citizen.
- ii. Knowledge about background understanding of commerce: Under this head it included the study of general commerce, economics, geography, commercial law, book-keeping, business management, accountancy, advertising and salesmanship, office practices etc. Most of the topics included for study under this head serve to introduce the students to the activities of business enterprises and provide him material for discussion from the social points of view as also that of management.
- **Specialized study of commerce students:** Under this head are included the topics such as book-keeping, type writing, shorthand, office practice, cooperative commerce education, distributive education and office occupation. Most of the topics included for study under this head are much, which helps the students to gain specialized education for vocational competencies on different business jobs which are likely to be available to the commerce graduates.

Check Your Progress- 2		
Note:	a) Answer the questions given below.	
	b) Compare your answers with those given at the end of this lesson.	
1.	Commerce education in India was started in	
2.	Commerce education is an discipline.	
3.	Commerce education plays a vital role in the modern development.	
4.	Various commercial activities help in narrowing the gap between the and	
5.	Name the three areas with the help of which we can study Commerce Education	
a)	·	
b)	·	
c)	·	

#### 1.8 NEED OF COMMERCE EDUCATION

- The main purpose of commerce education is to provide knowledge about commerce.
- To prepare the student for vocational competency including training and development of skill.
- Commerce education is useful for the students to understand the various aspects of changing of the ownership of goods.
- Commerce education is aimed at giving adequate knowledge about the wholesale trade, retail, export trade, import trade, and entire-port trade.
- It provides some knowledge about the transport, communication, insurance, ware-housing, money, banking and finance and mercantile agencies.
- It helps to make the students understand the importance of bookkeeping, its need and accuracy, neatness, orderliness, responsibility, honesty etc.
- It helps the students to draw conclusion about the financial position of the organization.
- It plays a vital role in the modern economic development.

#### 1.9 IMPORTANCE OF COMMERCE EDUCATION

The importance of commerce is established by three basic facts of human life:

- i. Unequal distribution of natural resources: The natural resources, human skills are not equally spread over the surface of earth. Commerce helps neutralize geographical disadvantage by bringing about exchange goods between different regions. Rubber for instance available in Malaysia is made available to consumer all over the world.
- **ii. Difference of standard of life:** he standard of life of the people is different in different countries. The various commercial activities help in narrowing the gap between the rich and poor.
- **Mutual interdependence**: Human life is a patent example of mutual interdependence. No man by himself can produce all his requirement of goods, clothing, shelter, medicines and other comforts. The needs of man are satisfied by the effort of others through the use of none.

# Therefore due to those facts above there are many reasons for studying commerce/importance of commerce/why commerce/these are:

- i. Studying commerce helps ones to know one's particularly occupations fit into general scheme of business activities.
- ii. Commercial knowledge provides the valuable introduction to later studies like accountancy, economics, finance, industrial management and administration, marketing etc.
- iii. It helps gaining of broad knowledge to what is happening in the business enrollments.
- iv. Commerce education enables the exchange of goods and services from the place which is plenty to the place there is shortage.
- v. It facilitates the exchange of technology and simulated production.
- vi. Commerce education promotes trade by providing current information to producers, used and final consumers.
- vii. Commerce education encourages personal linking and international understanding.
- viii. Commerce education promotes other commercial activities such as transport, banking, insurance etc.
- ix. It helps the producers and consumers of good and services to acquire different marketing techniques.

Thus, we can say that commerce education is important to satisfy the increasing human wants and thus increase the standard of living. It also generates employment opportunities. Helps in increasing national income and wealth. It is also helpful in the growth of industrial development and encouraging international trade.

# 1.10 LESSON END EXERCISE

- Q1. Explain the meaning of commerce education.
- Q2. What is the nature and the scope of commerce education?
- Q3. Why is commerce education important?

#### 1.11 LET US SUM UP

With a growing emphasis on information, global economy, higher education was viewed as increasingly essential for the world's population. Information technology and mobile technology and make it integral part of course contents. Education now becomes an industry, there is explosion of technologies and knowledge in all spheres. The equality of commerce education has become a major marketing issue in the changing environment.

As per specialization, a practical training should be provided to the students. By making relevant and practical oriented commerce education, we may impact global competitives to our students. As a part of society awareness among commerce students. This indicates the importance or place of commerce education in the school curriculum. It is very necessary that every citizen should have knowledge about the business worlds, so that he may be able to play the role as a responsible citizen.

#### 1.12 SUGGESTED FURTHER READINGS

Aggarwal, J.C. (1996). Teaching of commerce. New Delhi: Vikas Publications.

Rao, S. (2002). Teaching of commerce. New Delhi: Anmol Prakashan.

Sharma, S.P.(2003). *Teacher education principles theories and practices*. New Delhi: Kanishka Publishers and Distributers.

Singh, R.P. (2005). *Teaching of commerce*. Meerut: Surya Publication.

#### 1.13 ANSWERS TO CHECK YOUR PROGRESS

#### **Answer to Check Your Proress-1**

According to James Stephenson, "Commerce is concerned with exchange of goods, with all that is involved with the buying and selling of goods, at any stage in their progress from raw materials to finished goods in the consumer's hands. It covers not only functions of buying, selling and handling of goods, but also the many services which must be provided to finance, insurance, store and transfer of goods in the course of this exchange."

## **Answer to Check Your Progress-2**

- 1) 1886
- 2) Academic
- 3) Economic
- 4) Rich, poor
- 5) a) Commerce education as a part of general education,
  - b) Knowledge about background understanding of commerce,
  - c) Specialized study of commerce students.

LESSON NO. 2 UNIT-I

# AIMS AND VALUES OF TEACHING COMMERCE IN SECONDARY SCHOOL

#### **STRUCTURE**

2.1	Introduction
2.2	Objectives
2.3	Aims of Teaching Commerce
2.4	Bloom's Taxonomy of Objectives
2.5	Views of Some Committees about Objectives of Teaching of Commerce
2.6	Effective Teaching of Commerce
2.7	Values of Teaching Commerce
2.8	Recent Developments in Commerce
2.9	Lesson End Exercise
2.10	Let Us Sum Up
2.11	Suggested Further Readings

#### 2.1 INTRODUCTION

Answers to Check Your Progress

2.12

Commerce education is aimed at giving adequate knowledge about the wholesale trade, retail, export trade, import trade, and entire port trade....... In tune with circumstances, commerce education has carved out a place for itself at the higher secondary and the higher education stage.

Aims are concerned with purpose where objectives are concerned with achievements. Usually an educational objective relates to gaining an ability, a skill, some knowledge, a new attitude etc. rather than having merely completed a given task. Since the achievement of objectives usually takes place during the course and the aims look forward into the students career and life beyond the course one can expect the aims of a course to be relatively more long term than the objectives of that same course.

Aims enable us to decide the methods, devices and contents of the subject to be studied. The teacher should keep in view the aims while teaching the subject.

The following criterion is used to select the aims and objectives of teaching commerce:

- i. This knowledge should help the pupil in his daily life.
- ii. It should be related to the materials with which the pupil is familiar and should not be based on obsolete devices and ideas.
- iii. It must provide him some practical experience which form a part of his learning process.
- iv. It should make pupil fit for society.
- v. It should inculcate a commercial temper in the student.

#### 2.2 OBJECTIVES

After going through this lesson, you shall be able to:

- state the objectives of teaching commerce,
- discuss about effective teaching of commerce,
- discuss the recent developments in the field of commerce,
- explain the various values of teaching commerce, and
- discuss the latest developments in commerce.

#### 2.3 AIMS OF TEACHING COMMERCE

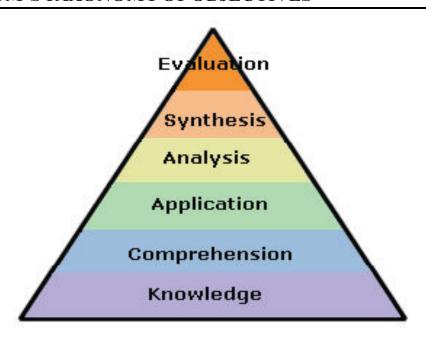
The main aim or objective of teaching commerce education is to provide knowledge about the commerce education and to prepare the students for vocational competency including training and development of skill. Commerce education provides efficient supervisory personnel and the other able hands at lower level to assist the top executives. It also plays a vital role in the modern economic development. Thus it is very important at the higher secondary level.

Objective of teaching commerce can be well explained with the help of following points:

- i. To develop skills such as conceptual skills, technical skills and practical skills in the field of industry, commerce, management and accounting
- ii. To prepare a student for a career in business or to start a business enterprise of his/her own.
- iii. To give each student enough opportunities to acquire relevant knowledge about business and economy.

- iv. To familiarise students with current business process and practices.
- v. To familiarise students with the behaviour of markets, products as well as finance.
- vi. To develop skills in use of information technology for business.
- vii. To develop capability in each student to identify business opportunities, analyse their risk-return possibilities and support business development in socially desirable avenues with strong moral commitment.
- viii. To develop in students a business attitude and skills to be precise and articulate, considering its ethical side.
- ix. To provide knowledge of principles, practices, procedures, etc. about business, trade and industry and its relationship with the society.
- x. To provide basic knowledge of technological tools including computers and its application in business.
- xi. To develop an understanding of the environment in which we live and undertake various activities relating to business.
- xii. To develop basic skills needed to undertake different commerce related activities.
- xiii. To educate learners in different functional areas and develop their basic understanding about the same.
- xiv. To develop right aptitude and qualities for undertaking business and commerce related activities.
- xv. To encourage the spirit of entrepreneurship and prepare learners to enter into a business careers.

#### 2.4 BLOOM'S TAXONOMY OF OBJECTIVES



Bloom's taxonomy is a categorization system. It is used to describe and differentiate dissimilar levels of human learning. These are typically used to notify or inform the development of opinion. Seems like, the course of study and instructional methods such as questioning strategies.

In simple words, Bloom's classification is a straight line order of cognitive skills. In addition, it helps teacher and students in learning. The theory tags on the name of mind doctor Benjamin Bloom. He also happens to be the administrator of the committee that proposed this theory.

A group of the mind doctor's at the University of Chicago publishes Bloom's Taxonomy. The theory's first prints date back in the year 1956. Bloom's work with his associates in the theory.

## History of Bloom's Taxonomy

The theory is a hierarchal model. It classifies educational learning. The theory states that the process divides into six parts. In addition, Lorin Anderson and David Krathwohl edited it in 2001. It studies learning results and purposes.

Furthermore, this theory is still used for everything which we know. Another reason is that in this digital age like apps rating to writing inquiries estimation. Some people related it to Nomenclature which is wrong. To know more click here.

# **Elements of Bloom's Taxonomy**

Classical Bloom's Taxonomy theories have six elements. The elements are knowledge, comprehension, application, analysis, synthesis, and evaluation. On the other hand, the new theory removes 'synthesis'. And it adds the word 'creation' as the top-level of Bloom's Taxonomy.

# **Usefulness of Bloom's Taxonomy for Teachers**

Bloom's taxonomy is very popular among teachers. For the reason, they love it. Also, it presents them with a way to consider their teaching. Apart from that, some points are mentioned below:

- i. Helps to assess and judge the difficulty of assignment.
- ii. It increases the accuracy of the lesson.
- iii. Simplifies action to ease personal learning.
- iv. Design a combined assessment.

- v. Project-based plans for learning.
- vi. Frames group discussion.

This characterizes the hierarchy Mentioned in Bloom's Taxonomy.

## Levels of Bloom's Taxonomy

Earlier we mention that the process of Bloom's Taxonomy divides into 6 stages. Here we are going to discuss them.

#### First level

Make and protect rules based on internal facts or outside principle. It is also the remembering level. Examples are; memorizing a poem, recall state capitals, etc.

#### Second Level

Synthesis Collect component ideas into a new whole or offer replacement solutions. It is also the understanding level. Examples: the difference between square and oblong, sorting of animals by a given framework, etc.

#### Third Level

The analysis breaks stuff or thoughts into simple parts and finds data to support generalities. It is also the application level. Examples are; usage of formula to solve the problem, design selection to meet a purpose, etc.

#### Fourth Level

Application means to apply actual knowledge to real situations. It is also the analysis level. The examples are; detection of problems in a machine, explaining how the different process work together to form a process, etc.

#### Fifth Level

Comprehension reveals an understanding of the facts. It is also the evaluation level. Examples are; understand the meaning of given law of physics, make a judgment about a moral dilemma, etc.

#### Sixth Level

Knowledge is the base of all the previously learned things. It is also the creation level. Examples are; to plan a new solution to an old problem that recognizes the failure in the past, write a poem based on provided subject and tone, etc.

#### **Conclusion**

It's a valuable tool for education. In addition, it provides a structure for educators and cognitive mind doctors. They use it to communicate about basic education. But it should be re-considering and reorganized to reflect current issues.

Bloom's taxonomy was designed to re-interpret the best use. Modern day technology is very useful for education purposes.

# 2.5 VIEWS OF SOME COMMITTEES ABOUT OBJECTIVES OF TEACHING COMMERCE

Lyou's definition of commerce states "any education which a businessman has and which makes him a better businessmans".

H.G. Shield (1930) states, "Real commerce education is economical education-economic education not of academic sort long on theory and short on facts but economic education which will give the student a knowledge of basic reality of business life and relationships.

The basic science of business is commerce and without a thorough guidance and awareness of economic problems much of the material included in secondary school course is purely addicting and essentially superficial. We cannot place technique and socio-business subjects on a dual basic science one are basic and other is supplementary, we cannot accept a two headed definition of the field but must recognise that certain elements must be given most emphasis and these take to be economic factors". This definition in views of Herbert A. Tonne provides interesting explanation and puts emphasis on the value of economic understanding as opposed to a limited skill training programme.

Writing about role of commerce education Fredrick G. Nichols (1933) observes, "There is no conflict between preparation and effi-cient participation in productive activities and for wise use of result-ing financial rewards.

It is an obligation of business education to produce these results in the interests or the individual as a consumer of goods, of business which produces what people will buy, and of society as a whole whose welfare is predicated upon a proper function-ing of the forces of production, distribution and assumption".

We conclude the discussion with the opinion of Tonne. He opines, "As the adjustment of the individual to his environment as on these phases of education that can need to be or should be learned in school. Since times immemorial young men have learned business by working with the master, the bright and succeeded because the opera-tion was simple.

The bright ones succeeded because of shrewd obser-vations and because the operation were simple many more failed, that was necessary. Specific on the job training being developed now to meet lie need of business man that has become too intricate to be learned by limit and trial method".

An Educationists and doctoral member of university at Arizonee, U.S. Ahas pointed out that, "At the earliest stage of development of this stream. The primary object of Commerce Education was of getting a job in business organisation and government office. Keeping in view the utility of the stream, it was started in government and aided schools with vocational objectives, the future teacher of com-merce shall fell the need of building further objectives, G.K. Hayden and C.A Nolson, in their joint work "Principles and Problems of Business Education" have laid down the following objectives:

- (i) Vocational competency,
- (ii) Adaptability of occupational change.

## **Vocational Competency**

Only two subjects (viz., stenography and book-keeping) were initially included. Private institutions were already imparting education in these fields and so the text-books and material used by such institution were adopted to a large extent.

Vocational competency at present is not the only objective of Commerce Education. Now several other objectives have been added. The number of subjects being taught has also increased.

# Adaptability and vocational changes

Such adaptability is desirable to prepare the students to face the challenge of the times. Dr. Khan points out, "While inflation increases the opportunity of job of office workers, depression throws out, many a persons, out a job and compels them to find new occupations, legislation passed by central or state legislature may create new occupation or may eliminate the existing ones. For example, income tax, act, sales tax, act. Have increasing the opportunity and also compel the people to change professions. If a good commerce teacher finds that there are no opportunities for promotion due to availability of senior persons may be compelled to change the promotion so that he may get the promotion".

It is desirable for a professional to adapt himself to the changes that take place and so this is an important objective of teaching of commerce.

Check Your Progress- 2			
Note:	a) Answer the questions given below.		
	b) Compare your answers with those	given at the end of this lesson.	
1.	Bloom's taxonomy is a	model.	
2.	This theory is divided into	_stages.	

#### 2.6 EFFECTIVE TEACHING OF COMMERCE

For teaching any subject effectively first of all teacher should be clear about its general as well as specific objectives of each topic/concepts because this will only help the teacher in selecting the appropriate approach and method of teaching according to the content. So for teaching commerce effectively teacher has to be thorough with the objectives of teaching commerce at all levels.

Effective teaching can be possible only when the teacher is able to promote interest among the students. For promoting the interest among the students a teacher can do various things such as demonstrate interest in the subject and in teaching, introducing the topics in new and interesting ways, point out practical applications and interesting examples, relating the subject matter to current events and students interest or activities, presenting challenging and thought provoking ideas, examining controversial issues, encouraging new ideas from the students and by the use of varied activities, media, and methods. It also helps in providing practical exposure to the students. The quality of instruction also depends upon the knowledge of teachers. There is a strong positive relationship between teachers' knowledge of subjects and levels of subject knowledge achieved by their students. Teachers with ample knowledge of subjects are able to plan effectively for the introduction and organization of basic concepts. Knowledgeable teachers are also able to distinguish simple from complex concepts and to vary instructional procedures accordingly. So for teaching any subject effectively, there should be a trained and qualified teacher. It is more necessary for commerce teaching because the subject is offered at the higher secondary level where the students are more matured, so there has to be a teacher who is masters in commerce at the same time having a degree of education.

Commerce is a subject which is very close to us, so for effective teaching of commerce it is all about listening, questioning, being responsive, and remembering that each student and class is different. For this teacher should adopt Socratic instruction approach. It's all about eliciting responses and developing the oral communication skills of the quiet students. It's all about pushing students to excel which is basic requirement of commerce teaching.

For teaching effectively, teacher has to select appropriate instructional method. But we have to keep in mind that no one instructional method is the best for all subject/ content. Learning can be enhanced by adopting different approach and method according to the need of the content. Commerce is such a subject where a teacher can use all the methods effectively such as lecture, discussion, role playing, seminar, supervised as well as independent study, project method, field trip, etc. but one of the major concern is that teacher should use these methods in actual class room teaching. Commerce subject is of vocational based so the activity method is quite suitable for commerce. In the wards of Rousseau, "Instead of making the child stick to is books keep him busy in workshop where his hands will work to the profit of his mind." Thus learning by doing, by activity and experience is the first and the most natured form of learning. One of the arguments against using these methods is that they consume more time but if we use different methods according to the needs of the content then it will help in achieving HOTS at the same time they are not at all time consuming. For example if you field trip as a method for teaching banking it will consume at the most two-three hours to take students to the nearby bank and observe the functions of the employees of the bank and then the teacher can just discuss about the observations of the students in the class room and with this the chapter will be over. This will also help in retention of knowledge for longer period. This is also one of the ways to facilitate learning i.e. relating the curriculum to the student's lifestyles.

Effective teaching is nothing but helping students to learn and for this teacher has to foster a good learning atmosphere. This can be done if the teacher is ready with a flexible teaching plan in mind, is positive towards learners, and is confident. At the same time teacher should not be arrogant.

Teaching of commerce can be made more effective by relating the subject/content with the daily life of the students and commerce is such a subject which can be related with the daily life of the students by giving examples, by adopting project based learning method. Effective teaching is not only concerned with teaching effectively but it is also concerned with how quickly and well a student learns that depends not only on the intelligence and prior knowledge of the students but also on the students learning styles. Visual learners gain knowledge best by seeing or reading what a teacher is trying to teach; auditory learners, by listening; and tactile or psychomotor learners, by doing. A teacher can improve the chances of teaching success if he assesses the learning style of his students, then plans teaching activities and uses teaching tools appropriate to that style.

Even effective use of traditional teaching techniques can be enhanced by the use of teaching aids (audio-visual resources). To some extent teaching aids help in removing the gap between teaching styles of teachers and learning styles of the learners. It is more applicable for commerce teaching because commerce is such a subject which is close to the student's real life so it is possible for a teacher to use maximum number of teaching aids.

Right from the beginning we are saying that commerce is a practical subject as well as related to real life, so for teaching it effectively we should encourage students' participation. For students participation teacher should provide opportunity to students to ask questions, answer questions in a meaningful way, offer challenging and thought provoking ideas, plan interactive activities, show approval for students' ideas, incorporate students ideas into lessons, and ask students whether they have understood the concept before proceeding.

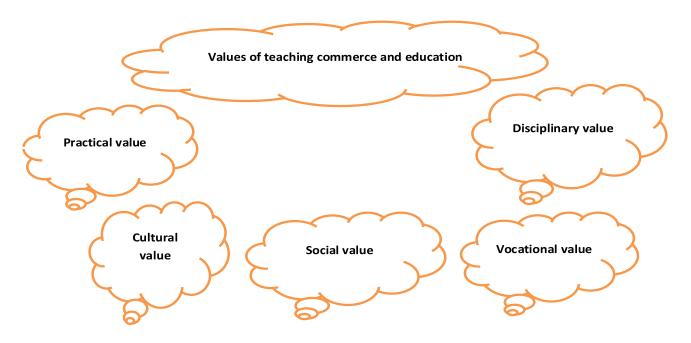
Teaching can also become effective when teacher gives clear explanations forthe concepts by using concrete, real life and relevant examples. Explanations can also be enriched by using illustrations graphs, diagrams appropriately. At eacher can also suggest mnemonic aids for memorizing complicated ideas. At the same time a teacher should define unfamiliar terms and he should write key terms on the blackboard. Teacher should repeat difficult ideas in diverse ways. While explaining difficult and important ideas teacher should speak slowly and he should ask if students understood before proceeding further. While explaining a teacher should be conscious about the pace of delivering the lecture at the same time he should be audible to the class. His pronunciation should be clear to the students and he should modulate his voice so that monotony can be removed.

Effectiveness of teaching also depends on how well it is planned and organized. At the same time teacher should demonstrate how ideas in specific lessons fit into the course as a whole and relate class material to other parts of the course. While teaching, teacher should also remember the maxims of teachings i.e. proceed from simple to complex, from concrete to the abstract, from particular to general, from analysis to synthesis, from empirical to rational, from psychological to logical, from the indefinite to definite. These maxims of teaching are very important for teaching any subject especially commerce because this subject is taught at higher secondary level where we have grownup students.

Effective teaching is also about style. It should be entertaining. So teacher should incorporate humour in the teaching but there is a word of caution that it should not be at the cost of the students. Commerce is such a subject which is related to current situations, so a commerce teacher should keep himself up-to-date, so while teaching he should talk about current developments and relate the subjects to current events and other fields, at the same time he should provide insights or Knowledge beyond the text.

## 2.7 VALUES OF TEACHING COMMERCE

Aims are considered as conscious purpose and goals. Values are the outcomes or results archived after teaching according to these aims. Aims are ideals which are not based on experiments. Values on the other hand spring as a result of experimentation or after putting aims into practices. Values are based on the reality and the aims on philosophical consideration. Values of study of commerce may be divided into the following categories:



- i. Practical or utilitarian value: Commerce education has great significance in preparing individuals and the society in general for taking up and indulging in commercial activities efficiently. This is the period of globally relevant industrial activities and subsequent commercial activities involving various aspects of trade. The economic stability of any nation depends upon how scientifically and systematically these are organized. Commerce education provides us with the understandings, insights, attitudes and skills for taking up such activities, also, it gives proper guidance for systematically extending costumer services, thus meeting the everyday requirements of people's in terms of various commodities essentially required for the very sustenance of life. This may be considered as the practical value of commerce education.
- ii. Social value: The study of commerce should enable an individual to appreciate that man is a social being and he must play an important role in bringing about social progress. Bad business dealings corrupt methods, smuggling and tax evasions are examples of anti-social values which should be avoided as outcomes of a study of commerce. Profit movie should not be the end and be all of business enterprises. Comfortable life in a society depends upon how efficiently and fairly the dealings associated with commercial transactions like trade, distribution, services, etc. related to goods take place in the society. Performing all these dealings with a social commitment depends upon how well the members of society get educated in these. Commerce education meet this social value.
- **iii. Cultural value**: Culture is evidenced by correct socially desirable ways of thinking and doing. It is closely related with value-orientations. Commerce is an important aspect of the life of a nation. It explains the nature of society in its special aspect of

business and material prosperity. Commerce attempts to relate production with consumption. Fair dealings, good salesmanship, honesty in business and pleasing manners all go to make up the good cultural tracts of the individual in the commercial field. Several philanthropists in India from the business community have set up a large number of cultural and educational institutions in the country.

- It can help in solving various economic problems as unemployment, overproduction, and unequal distribution of wealth, ineffective economic policies, low living standard, poverty and many other social evils. There is no aspect of human life, where the knowledge of commerce is not useful. Whether there may be statement, householders, businessmen, producers, labourers and manufacturers, they can't make progress without the knowledge of commerce education. Thus looked at from every point of view, it is an extremely useful and important subject.
- v. Disciplinary value: The word 'discipline' has a special connotation in commerce. It is not in terms of 'order' and 'authority'. It is to be interpreted in terms of intellectual trials only a study of commerce helps to develop the powers of knowing understanding and application. It also develops certain skill how to write good business letter etc. modern commercial theory and practice applies scientific methods for analysing various components, planning various tasks, gathering a variety of data, systematically processing and interpreting them, etc. commerce education reflects all these characteristics of scientific thinking and hence helps the learner of the science to acquire systematic ways of thinking and doing. This is the disciplinary value of commerce education.
- vi. Vocational value: The teaching of book keeping and accounting may satisfy the vocational aspiration of students because of the skill development nature. An understanding of book keeping principles together with accomplished skill may help students to become useful workers in business houses and industrial office. The educational objective of teaching commerce and accountancy are mainly determined by the competencies. The commerce programme is to prepare students for immediate employment and for higher education. But it is significant that the vocational aspect of commerce education should not be restricted to income. It should also inculcate some other qualities such as job satisfaction, social responsibility, social ethics, etc. moreover the commerce education should enhance the vocational competency of an individual also.

#### **Check Your Progress-2**

Note: a) Answer the questions given below.

- b) Compare your answers with those given at the end of this lesson.
- 1. What are the different types of values acquired?
- 2. Why commerce education gives importance for practical value?

#### 2.8 RECENT DEVELOPMENTS IN COMMERCE

Banking, marketing, insurance, communication, trade, etc. can be considered as the major areas of commerce. These are the fast developing areas as far as commerce is concerned. Now let us see the recent development that takes place in these domains of commercial activity.

- 1. Banking: With the advent of computers, banks can now offer to their customers a variety of new services such as (i) Electronic Funds Transfer(EFTS) (ii) Automated Teller Machines (ATMs) (iii) Debit Cards (iv) Credit Cards, and (v) Core Banking. Other most modern facilities offered by banks are Tele Banking, and Internet Banking. In the former, banking is carried on over telephone. In the latter, internet facility is made use of.
- 2. Marketing: In this age of information explosion, the computer and communication technology play a vital role in marketing. E-commerce is the practice of buying and selling products and services over the internet, utilizing web, electronic data interchange, electronic fund transfers and smart cards. E-commerce enables us the online marketing and network marketing.
- **Insurance:** Insurance is a method of average risks. This is an agreement between the insurer and the insured. Entry of private companies is noted as the major advancement in the field of insurance.
- **4. Communication :** The fruits of fast changing technology are enjoyed by communication. This is evidenced by the successful application of a number of efficient devices of communication. Spectacular developments in this area are fax, internet, e-mail, extranet, video conferencing and teleconferencing.
- **Trade:** Trade involves buying and selling of goods and services. Trade can be of two types- internal and external. Internal trade indicates transfer or exchange of goods and services within a country and external trade indicates trade among nations. Online trading is a recent development in the field of trade.

Business activities are fast changing in this dynamic world. During the 1990's a concept has evolved in the area of commerce called Business Process Outsourcing (BPO), BPO is a system of getting a business task through an outside agency.

#### 2.9 LESSON END EXERCISE

- 1) What is the objective of teaching of commerce?
- 2) How can commerce education be made effective?
- 3) Explain in detail the values of teaching commerce?
- 4) Discuss the recent developments in the field of commerce?

#### 2.10 LET US SUM UP

Thus, we can say that commerce has an important place in the school curriculum. Education is a medium through which knowledge and intelligence required by an individual or society can be obtained or properly formulated. Commerce begins with functional aspects and then leads to liberal or ideological aspects. The individual and society get goods and services at their doorsteps. The commerce system deals with every part of human life and thus commerce education becomes an education for better living. The increasing number of students in commerce rather than other subjects indicates the importance or place of curriculum in the school curriculum. In the present scenario, it is very necessary that every citizen should have knowledge about the business world, so that he may be able to play the role as a responsible citizen.

# 2.11 SUGGESTED FURTHER READINGS

Aggarwal, J.C. (1996). Teaching of commerce. New Delhi: Vikas Publications.

Benjamin, B. (1954). Taxonomy of educational objectives, Handbook-

1 Cognitive Domain. New York: David Mickey, Coy.

Rao, S. (2002). *Teaching of commerce*. New Delhi: Anmol Prakashan.

Sharma, S.P.(2003). Teacher education principles theories and

practices. New Delhi: Kanishka Publishers and Distributers.

Singh, R.P. (2005). *Teaching of commerce*. Meerut: Surya Publication.

#### 2.12 ANSWERS TO CHECK YOUR PROGRESS

#### **Answer to Check Your Progress-1**

- 1) Hierarchal
- 2) Six

#### **Answer to Check Your Progress-2**

- 1. In to study commerce education, any one learns so many values, particularly, Cultural values, Disciplinary values, Practical values and Social values.
- 2. The commerce education gives practical values related more to the needs of various occupations at different levels in the hierarchy of employment from clerical to management level.

LESSON NO. 3 UNIT-I

# **BEHAVIOURAL OBJECTIVES**

#### **STRUCTURE**

3.1	Introduction
3.2	Objectives
3.3	Meaning of Behavioural Objective
3.4	Importance of Behavioural Objective
3.5	Steps for preparing behavioural Objectives for Teaching of Commerce
3.6	Bloom's Taxonomy of Instructional Objectives
3.7	Limitations of Writing Objectives in Behavioural Terms
3.8	Lesson End Exercise
3.9	Let Us Sum Up
3.10	Suggested Further Readings

#### 3.1 INTRODUCTION

3.11

Answers to Check Your Progress

Education aims at modification of behaviour or it can be said that the process of education brings about the desirable changes in the behaviour of students. The behaviour of students is related to their cognitive domain or affective domain or psychomotor domains. So educative tends to modify the thinking [cognitive behaviour or feelings [affective behaviour or action [psychomotor behaviour]. As you know, it's the job of teacher to change the behaviour of the learners and he himself have to judge the change in behaviour of his students. For that the teacher has certain objectives he wishes to accomplish. These

objectives indicate what is desired at the end of the learning activity. The teachers have to formulate the specific objectives that provide the direction for devising suitable learning experiences to modify the behaviours in desirable form. In this lesson we are going to discuss the meaning of behavioural objectives, itsimportance and steps of writing these objectives.

#### 3.2 **OBJECTIVES**

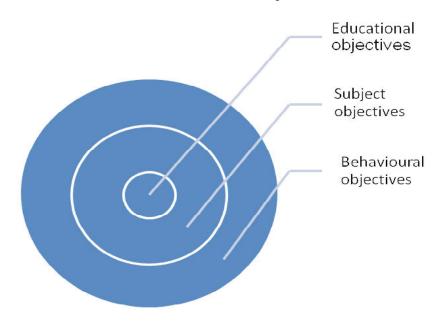
After going through this lesson, you shall be able to:

- explain the meaning of the term 'behavioural objectives',
- delineate the importance of behavioural objectives,
- write the steps for preparing behavioural objectives for teaching of commerce, and
- formulate the behavioural objectives for teaching any topic in commerce.

#### 3.3 MEANING OF BEHAVIOURAL OBJECTIVES

An objective is a statement or form of category which suggests any kind of change, an educational objective is the desired change the teacher, intends to bring in the behaviour of learners. The educational objectives are generally in the statement form that guide the instructional activities and provide the detailed specification for the construction and use of evaluative techniques. Educational objectives are broad and these are framed according to the National Educational Policies by the curriculum makers. But the teaching/instructional objectives are narrow and specific and are related with the expected learning outcomes of the content taught and are framed by teachers.

Let us have a look on relation with the different objectives:



From the above diagram it is clear that the educational objectives provide the base to frame the behavioural objectives through the subject specific objectives.

Let us have a look on a few definitions of the term 'objectives' to have better understanding of the concept:

Mager (1975) says "an objective is a description of a performance you want learners to be able to exhibit before you consider the competent. An objective describes an intended result of instruction rather than the process of instruction itself."

"Properly constructed education objectives represent relative specific statements about what students should be able to do following instruction." (Gallagher and Smith, 1989)

According to Guilbert (1984) the qualities of specific learning objectives are:

- 1. Relevant
- 2. Unequivocal
- 3. Feasible
- 4. Logical
- 5. Observable
- 6. Measurable

Characteristics of effective objectives as described by westber and Jason (1993) are as follows:

- 1. Consistent with overall goals of the school.
- 2. Clearly stated.
- 3. Realistic and doable
- 4. Appropriate for learners' stages of development
- 5. Appropriately comprehensive
- 6. Worthy, complex outcomes
- 7. Not treated as if they were etched in stone
- 8. Not regarded as the only valuable outcomes

Thus a Behavioural objective is a statement of what the student should be able to do at the end of a unit of teaching. It describes the behaviour. Moreover, it is observable behaviour, such as defining, comparing, enlisting, labelling, drawing, calculating etc. that implies to certain learning experiences. These can be communicated to the learners and it indicates a method of measurement.

#### 3.4 IMPORTANCE OF BEHAVIOURAL OBJECTIVES

Being a commerce teacher, one has to know about the objectives of teaching commerce. For the said purpose, the behavioural objectives help to

- 1. Development and selection of materials: the behavioural objective is the focal point of a lesson plan. It is a description of an intended learning
  - outcome and is the basis for the selection and development of the relevant content to be taught.
- 2. Development of an instructional strategy: a good objective states a skill that can be mastered in many different ways. By concentrating on the objectives, the teacher can try new approaches and design more efficient learning experiences.
- 3. Provides direction to the educational activity.
- 4. Systemize the teaching as the teacher has to get clarity about what to do and how to do in the classroom.
- 5. Helps to discover proper learning situations and contexts.
- 6. Make learning functional.
- 7. Construction of tests and other instruments for assessing and then evaluating student learning outcomes: equipped with the behavioural objectives, the teacher knows exactly what he/she wants from his students after delivering a piece of information or some instructions.
- 8. Assure valid evaluation.
- 9. Give meaning and clarity to the curriculum.
- 10. Defines educational process in totality.
- 11. Help the learners to exhibit the behaviours that are expected by the teachers.
- 12. Aware learners about their expected behaviour.
- 13. Provide the learner an opportunity for self-evaluation in terms of what was expected and what was displayed.
- 14. Present feedback to the teacher about their instructional strategies.

## **Check Your Progress-1**

Note: a) Answer the questions given below.

- b) Compare your answers with those given at the end of this lesson.
- 1. Delineate the importance of writing behavioural objectives for a teacher.

# 3.5 STEPS FOR PREPARING BEHAVIOURAL OBJECTIVES FOR TEACHING OF COMMERCE

Steps/Criteria for Writing Instructional Objectives;

The following Steps should be kept in mind by the teacher while setting and writing the instruction objectives.

1. Specification of the learner/Performer

Specify the learner such as pupil, class, group etc

2. Learner performance

Illustrate the learners' performance in classroom interaction, for example, student are able to understand, apply, identify, and justify etc. it also termed as actionverb.

3. Learning content and condition

Clearly mention the content of study, for example, the pupil able to justify the non-violence principle of Gandhi.

Besides the above, the teacher should set target of a minimum expected level performance of the learner in quantitatively and qualitatively. Exclusive inclusion of all the instructional objectives with adequate weightage should be taken care of.

The structure of the educational or instructional objectives mainly consists of two parts

- (i) The modification part
- (ii) The content part

The modification part-behavioural changes that are designated to the behaviour of the learner through the related instruction or learning experience.

**The content part-** syllabus in particular and to the curriculum in general to be covered by the related instruction.

#### Writing of Objectives

1. The nature of the objective, i.e. knowledge, application, etc.

- 2. The area or domain of the behaviour, i.e. cognitive, affective, etc.
- 3. They should cover different levels of learning outcome i.e., lower to higher.
- 4. There should be indirect relation with the particular content of a topic.
- 5. Objectives of instructions, learning experience and evaluation technique must be interrelated and interdependent.

## **Several Methods of Writing Objectives Terms**

Robert Mager's Approach

Robert Miler's Approach

R.C.E.M. Approach

# Robert Mager's Approach

According to Robert Mager (1962), instructional objectives are best described in terms of the terminal behaviour expected from the learners. He recommends the following things for the writing of the objectives;

- 1. Identification of the terminal behaviour or performance and its naming
- 2. Description of the important conditions under which the behaviour is expected to Occur.
- 3. Specification of the criteria of acceptable performance (desired termina behaviour) by describing how good a learner's performance must be for being acceptable.

Mager's approach has adopted Bloom's taxonomy as starting base for the writing of objectives. He has sought the help of the associated action verbs for stating the different objectives. The verbs help in describing the outcomes of learning or the terminal behaviour of the learner in a well-defined way (observable and testable)

# **Knowledge Objective**

tudents state or will state (behaviour) at last five (performance) fundamental rights out of the fundamental rights presented in the text (condition).

# **Skill Objective**

Using a pencil, colour pencil and an outline map of Haryana (conditions), each students will mark (behaviour) all the districts of the state (performance)

## **Affective Objective**

Students will describe (behaviour) the two advantages/values (performance) derived from a pollution-free environment during the visit to an ideal village (condition).

# Miller's Approach

For meeting the requirement of writing psychomotor objectives he forward his scheme based on skill analysis by outlining the following procedure:

- 1. Description of the indicator, indicating the relevant activity.
- 2. Description of the indication or stimulus that calls for a response.
- 3. Controlling of the object that is to be activated.
- 4. Description of the activity to be performed.
- 5. The indication of the adequacy of responses or feedback.

#### R.C.E.M APPROACH

The four categories of objectives (knowledge, understanding, application, creativity), have been divided into 17 mental processes or abilities. These processes or abilities are used for the necessary outline of the 17 frames or statements as follows:

# 1. Knowledge objectives

- 1.1 The learner is able to recognize...
- 1.2 The learner is able to recall...

# 2. Understanding objectives

- 2.1 The learner is able to see relationship between...and...
- 2.2 The learner is able to cite example of...
- 2.3 The learner is able to classify...
- 2.5 The learner is able to interpret...

# 3. Application objectives

- 3.1 The learner is able to reason out...
- 3.2 The learner is able to formulate hypothesis for...
- 3.3 The learner is able to infer about...

# 4. Creativity objectives

- 4.1 The learner is able to analyse
- 4.2 The learner is able to synthesize...
- 4.3 The learner is able to evaluate...

# Writing objectives in R.C.E.M. Approach

Have in mind the entry behaviour of the learner.

Think again the element of content or topic to be given to the learner.

Think again the teaching objective(s)

In view of the entry behaviour, element of content and the particular objective, try to select appropriate mental process for writing the objective in question.

Make use of the 17 frames of the R.C.E.M. approach and fill in the blanks in view of the entry behaviour of the learner and learning experiences given to him.

# **Conclusion Regarding Writing of Instructional Objectives**

The discussion held so far may help the pupil teachers in the task of formulating the desired instructional objectives related to the topics or sub units of their daily lessons. The question, however, arises in actual practice and conditions available for teachers training what type of behavioural changes part really expected in the behaviour of the students through the teaching of the lessons in a particular subject.

These changes falling in different domains of their behaviour may generally be summarized as follows:

- 1. Students may acquire the knowledge and understanding of the facts, principles and ideas related to the topics and units of different branches of a particular subject of the school curriculum.
- 2. They may learn about the various skills related to the process and products of the subject like drawing skill, surveying skill, computational skill, etc.
- 3. They may be able to utilize the knowledge, understanding and skills related to the subject in their daily life.
- 4. They may develop proper positive attitude for the learning.
- 5. They may develop proper interest and appreciation for the facts related to the study of that subject.

#### 3.6 BLOOM'S TAXONOMY OF INSTRUCTIONAL OBJECTIVES

## **Instructional Objectives**

Education is a process of bringing desirable behavioural changes in the individuals. It helps the individuals to identify their capabilities and potential. Classroom instructions and activities are the gate way of this process. Hence a teacher who deals with any subject should clearly plan his objectives of a particular instruction. Pre-determined learning outcome of an instruction can be called as instructional objectives. More clearly, Instructional objectives are the specific or immediate goal which is obtainable as a result of instruction or through classroom interaction. This is considered as the target of a teacher for a specific lesson or a topic. Learning/teaching outcomes of a classroom is designed by the instructional objectives. Without formulating instructional objectives instruction become aimless or target less as well as wastage of time and effort of both teachers and students. Instructional objectives should be planned to develop different domains of the learner. Discussion on Blooms taxonomy is necessary to understand the different domains of the learner.

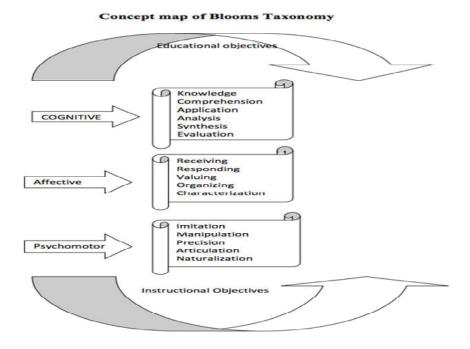
#### **Blooms Taxonomy of Educational Objectives**

The word taxonomy derived from the Greek word 'taxis' which means systematic classification. Prof. Benjamin S Bloom and his associate, University of Chicago developed and classified the domains of educational objectives. Bloom (1956) presented his taxonomy related to cognitive domain giving emphasis to the hierarchy of cognitive process in attaining knowledge and development of thinking. Later Krathwhol (1964) introduced affective domain and Simpson (1966) developed psychomotor domain. They described the hierarchical development of the three domains of the learner though instruction. This classification objective is known as Blooms taxonomy of educational objectives.

#### Classification of Blooms taxonomy

- 1. Cognitive domain- Knowledge field
- 2. Affective domain-feeling field
- 3. Psychomotor domain-doing field

Every educational activity should be planned to develop all this domain of the learner. Hence these three domains are mutually interrelated and interdependent also.



## 1. Instructional Objectives in Cognitive Domain

The cognitive domain deals with the intellectual aspect of cognition. It concerned with sensation, perception and application of knowledge. The hierarchical development of cognitive domain is discussed below.

# Knowledge

Acquisition of knowledge is the lowest level in the cognitive domain. It includes the ability of students to recall and remember the information learned in the classrooms. Recall and recognition are the specification of this instructional objective.

# Comprehension

It is the second level of cognitive domain. It is the meaningful recall and recognition of the learned content. Here the learner could understand and explain what he learned in the classroom as his own language. Identifying relations, classification of objects, explanations, comparisons, translation etc are the specification of this level.

# **Application**

In third level the learners are able to apply or use the knowledge which is acquired and comprehended during the first two levels. It is the ability to apply the acquired knowledge trough instruction in real life situations. Establishing new relationship, formulating hypothesis, predictions are the some specification of this level.

## **Analysis**

Analysis is the meaningful breakdown of the materials into its various components and to identify the interrelationship between the elements and find out how they are organized and related. Specification of this level includes the analysis of elements, analysis of relationship, analysis of organizational principles.

## **Synthesis**

Synthesis is the mental ability of the learner to integrate the acquired, comprehended, applied and analysed knowledge in to a comprehensive whole. It involves the ability to give a new shape or structure to statements or procedures.

#### **Evaluation**

This is the highest level of cognitive domain. Students could evaluate an object, person, a theory or a principle if only he is par with all other lower hierarchy in the cognitive domain. It is the ability to judge a value of a material, aspects, methods, principles, theory, philosophy and so forth for a given purposes. At this level s/he could perform personal viewpoint about the information s/he synthesized.

# 2. Instructional Objectives in Affective Domain

Affective domain is related with the development of heart and mind of the child. It includes the areas of emotions, feelings, interest, attitude, appreciation and values. The teacher should be given emphasis to correlate the development of cognitive domain with affective domain. A person who studied the Gandhian principles, civic right and duties without developing his affective domain is worthless for the country as well as society. Hence the teacher should ensure the development of affective domain in his instructional objectives of the classroom instruction. Bloom and Krathwohl (1964) introduced the following hierarchy for affective domain.

# Receiving

In the basic level the learner is sensitized to the existence of a certain phenomenon and stimuli. S/he is willing to receive the information whole heartedly by exhibiting awareness on the stimuli and become conscious on particular person, principle, philosophy, incidents etc. For example students are interestingly listening to Gandhian principles.

# Responding

Effective reception prepares the learner to respond seriously. As result of receiving some good message from the first hierarchy, the learner tries to respond to the situation

positively. For example students show kindness towards elders and weaker people, hold honest behaviour in day to day life situations etc.

## Valuing

By responding in good ways, the students set guidelines for their behaviour. Accepting values, preference for values, commitment to values are the important behavioural changes in this level. For example students develop positive attitude towards non-violentbehaviour, truthfulness, honesty etc.

#### **Organization**

Student builds a system of value at this level. Value conflict and value crisis are resolved. Through organizing different values students are able to develop their own code of conduct and standard of public life in the society. For example Pupil identifies the inseparability of the values like non-violence, truthfulness and tolerance of Indian tradition. They show dislike towards corruption and violence in the country and think against to work.

#### Characterization

This is the highest level of internalization process. Values are imbibed and forms part of the life style of the individual. For example the non-violence value becomes the philosophy of the individual. They will not be ready to compromise on their philosophy at any stage as well as, ready to work for justice even though they are alone their way.

### 3. Instructional Objective for Psychomotor Domain

Psychomotor domain deals with the action or performance level. This domain includes muscular action and neuromuscular coordination. Educational objectives of this domain aim to developing proficiency in performing certain acts. Simpson (1966) presented the psychomotor domain as follows.

### Perception

Perception is the first level in psychomotor domain. It consist the process of becoming aware of objects, qualities or relation through sense organs.

#### Set

In this second hierarchy students make preparatory adjustment of readiness for a particular kind of action or experience. Mental as well as physical set for action is performed here.

#### **Guided response**

It is the overt behavioural act of a student under the guidance of the teacher. Students initially perform an act which is perceived and set through earlier levels. It includes imitation of teachers, elders, parents, and trial and error activities in attaining writing, reading skill etc. For example; Student imitates the writing style of his teacher to write letter 'A' and repeat many times to learn how to write letter 'A'.

#### Mechanism

In this level student show progress in performing the act through imitation and trial and error. Student learned to write letter 'A' by imitating his teacher and through trial and error activity. Now s/he can write letter 'A' at his/her will. Here learned response has become habitual. It is a micro analysis in which each step in the mechanism is properly examined and drilled.

#### **Complex Overt Response**

In this level the student can perform a complex motor act which required a complex movement pattern. It this hierarchy students attain a high degree of skill and the act can be carried out smoothly and efficiently. In this level students could perform the act without any hesitation. Fine muscular coordination and great deal of ease in performing act are the peculiarity of this level. Here student able to write many word easily and simply within a short period of time, ability to run, walk, jump and talk easily are also comes under this category.

## **Adaptation and Originating**

This is the highest level. Here student are adapted with the ability of doing an act which is acquired through above steps. Now spontaneously s/he can perform the act with accuracy. More over s/he is able to originate a new pattern of action or style in doing the activity.

#### **Dave Classification-Psychomotor Domain**

Dave (1969), from NCERT also contributed taxonomy for psychomotor domain which is discussed below.

#### **Imitation**

It is simply an imitation act of a student who energized through cognitive as well as affective domain development. It means that the student who learned how to write (cognitive domain), willing to write (affective domain) may imitate to write to get the ability to write (psychomotor domain).

# Manipulation

This level student tries to do the imitated activity in various ways through repetition. Here students try many ways and styles to perform the activity and select appropriate one which is suitable and convenient to him/her.

#### **Precision**

In this level student attain speed, accuracy, proportion, exactness, neatness in a performing the act which is acquired through above two levels.

#### Articulation

Here the student able to handle many actions in unison. This includes coordination, sequence and harmony among acts.

#### Naturalization

This is the highest level in psychomotor domain. Here student attain the proficiency in performing the particular task. The action becomes automatic with least physic as well as mental energy.

Check Your Progress-2		
Note:	a) Answer the questions given below.	
	b) Compare your answers with those given at the end of this lesson.	
1.	is an intent communicated by statement of what the learner is to be like when he has successfully completed learning experience.	
2.	, and are the three domains.	
3.	is composed of intellectual abilities.	
4.	embraces muscular or motor abilities.	

# 3.7 LIMITATIONS OF WRITING OBJECTIVES IN BEHAVIOURAL TERMS

Following are the limitations of writing objectives in Behavioural Terms:

- 1) All behavioural objectives can be explained in terms of 17 mental processes, whereas Guilford has extracted 120 mental abilities.
- 2) It is difficult to differentiate all three objectives on the basis of three seventeen mental processes in behavioural term.
- 3) It is very difficult to select appropriate mental process for a content element.
- 4) There is no proper balance between the narrow mental processes assigned to different objectives.
- 5) There are only three mental abilities for creativity aspects whereas. Torrance and others have given five types of activities.
- 6) This approach does not deal properly with the objectives related to skills, interest, aptitude and altitude.
- 7) This approach seems more suitable for cognitive aspects only not for the others.

#### 3.8 LESSON END EXERCISE

- 1. Define 'Behavioural Objective'. Explain the characteristics of behavioural objectives.
- 2. Describe the Mager's approach of writing behavioural objectives.
- 3. Delineate the importance of behavioural objectives.
- 4. Describe Bloom's Taxonomy.

## 3.9 LET US SUM UP

Behavioural is a statement of what the student should be able to do at the end of a unit of teaching. The due emphasis is not given to the aspects of psychomotor in taxonomy of instructional objectives. All the three domains should be included [cognitive, affective, psychomotor] in teaching learning process in the physical and social environment of the school for the all round development of the students. The teacher should always give proper attention to these in formulating instructional objectives of teaching which help in teaching learning process and evaluation of methodology adopted by the teacher. The behavioural objectives are helpful in selection of the content, instructional strategies and construction of evaluation tools and provide direction to the learning activities and give meaning to the curriculum. When written in behavioural terms, an objective will include three components: student behaviour, conditions of performance, and performance criteria. The behaviour should be specific and observable.

### 3.10 SUGGESTED FURTHER READINGS

Aggarwal, J.C. (1996). Teaching of commerce. New Delhi: Vikas Publications.

Bloom, B.S. (Ed.). (1964). *Taxonomy of educational objectives*. New York: David McKay Company Inc.

Gronlund, N.E. (1991). *How to write and use instructional objectives (4<sup>th</sup> Ed.)*. New York: Macmillan Publishing Co.

Vergas, J.S (1972). Writing worthwhile behavioural objectives. New York: Harper and Row Publishers.

### 3.11 ANSWERS TO CHECK YOUR PROGRESS

# **Answer to Check Your Progress-1**

- 1) The behavioural objectives help to -
- i. Development and selection of materials: the behavioural objective is the focal point of a lesson plan. It is a description of an intended learning out come and is the basis for the selection and development of the relevant content to be taught.

- ii. Development of an instructional strategy: a good objective states a skill that can be mastered in many different ways. By concentrating on the objectives, the teacher can try new approaches and design more efficient learning experiences.
- iii. Provides direction to the educational activity.
- iv. Systemize the teaching as the teacher has to get clarity about what to do and how to do in the classroom.
- v. Helps to discover proper learning situations and contexts.
- vi. Make learning functional.
- vii. Construction of tests and other instruments for assessing and then evaluating student learning outcomes: equipped with the behavioural objectives, the teacher knows exactly what he/she wants from his students after delivering a piece of information or some instructions.
- viii. Assure valid evaluation.
- ix. Give meaning and clarity to the curriculum.
- x. Defines educational process in totality.
- xi. Help the learners to exhibit the behaviours that are expected by the teachers.
- xii. Aware learners about their expected behaviour.
- xiii. Provide the learner an opportunity for self-evaluation in terms of what was expected and what was displayed.
- xiv. Present feedback to the teacher about their instructional strategies.

### **Answer to Check Your Progress-2**

- 1) Instructional objectives
- 2) Cognitive, affective and psychomotor
- 3) Cognitive domain
- 4) Psychomotor domain.

LESSON NO. 4 UNIT- II

# **DESIGNING CURRICULUM FOR COMMERCE**

# **STRUCTURE**

4.1	Introduction
4.2	Objectives
4.3	Meaning of Curriculum
4.4	Nature of Curriculum
4.5	Importance of Curriculum
4.6	Principles of Designing Good Curriculum for Commerce
4.7	Approaches in Organising Curriculum for Commerce
	4.7.1 Concentric Approach
	4.7.2 Topical Approach
	4.7.3 Integrated Approach
	4.7.4 Other Approaches
	4.7.4.1 Nature Approach
	4.7.4.2 Nature Rambling
	4.7.4.3 Behavioural Approach
	4.7.4.4 Managerial Approach
	4.7.4.5 System Approach
	4.7.4.6 Humanistic Approach
	4.7.4.7 Taylor's Model (A Classical Model)
	4.7.4.8 Hilda Taba's Model
4.8	Let Us Sum Up
4.9	Lesson End Exercise
4.10	Suggested Further Readings

4.11 Answers to Check Your Progress

### 4.1 INTRODUCTION

Curriculum is a continuous, all-comprehensive process which goes through changes and modifications, additions and alterations. Cunningham observes that curriculum is a tool in the hands of the artist to mould his material according to his ideal in his studio. Curriculum has become an organized subject of study at the beginning of the twentieth century. Many books and authors have given various definitions, but it is Bobbitt (1924) who has presented a particular conception of curriculum, calling it "a series of experiences", that children must have in order to develop their ability to face the affairs of adult life.

Curriculum in Ancient Indian education reflects the aims of education during that period. Such studies and activities are included in the curriculum as are considered contributory to the attainment of objectives. Naturally enough, the curriculum in the early Vedic stage was dominated by Vedic scriptures which were spiritual in nature and were supposed to illumine the vision of the student. At the same time, there is no denying that the curriculum has a close relation with social life and social needs, because all education must be socially purposive. Ancient Indian curriculum represents the combination of both these factors. Industrial, vocational and professional education received special emphasis in the Epic period.

In Ancient Indian Education, curriculum was strongly restricted among the castes. It may be due to the distribution of labour among the society and also maintaining the same within the fixed class. But we cannot accept this concept because our physical strength and mental ability are not all dependent on the caste. Rather, everything will be possible if there is effective training. And hence curriculum is just a tool to develop one's talent and not to suppress one's hidden powers.

While analyzing the different concepts of curriculum, two major tendencies can be marked. The first category is organization of content or of subject matter and emphasis on experience within and outside the school walls. The term has been defined 'as all the experiences a learner has under the guidance of the school' since the late 1930's so long the school's responsibility has been mainly limited to its so-called formal course of study. In Carter V. Good's Dictionary of Education (1973), four distinct definitions are given where the idea of a body of content, an overall plan, classroom instruction and intended opportunities or experiences are emphasized as essential features of the curriculum. Curriculum reform in recent years has grown out of attempts to bring the modern conceptual and methodological status of 'subject matter' fields into the 'experience' of students, apply current pedagogical and psychological thinking to classroom instruction and use the educational process to achieve 'social and ideological goals.

During the early decades of the twentieth century, the traditional concept of curriculum as only 'organized knowledge' comes to be challenged and since then various definitions of curriculum have come up.

Daniel Tanner and Loaural Tanner (1975) have given a broad classification of definitions developed since thirties and each of this group would indicate a dimension of curriculum. Almost a similar classification has also been given by Saylor and Alexander (1974). From 1950's to 1960's, curriculum has been conceived to be formulated according to the structure of the disciplines, that means, emphasis has been given on organized knowledge comprising the established disciplines. Gradually the concept of curriculum embodies not only the cumulative tradition of knowledge but also the total culture of the society. Dewey's (1928) definition and Smith, Stanley and Shore's (1957) definition come nearer to this concept, while they emphasis transferring and reconstructing the race experience through the curriculum. Curriculum is conceived by Marc Beth and others as modes of thought about men's experience. Progressive educators have conceived curriculum as guided experiences and have emphasized that the curriculum must take into account the needs of existing community life. Caswell and Campbell, in eight year study report, have emphasized total experience the child gains under the guidance of the school. Curriculum is further conceived as 'a plan for learning' Saylor and Alexander (1954) has looked at curriculum as a plan for providing sets of learning opportunities to achieve broad goals. Curriculum is anticipatory and includes specific plans for whatever learning experiences are anticipated in the school setting. This concept has necessitated a breakdown in the traditional classroom course work and extracurricular activities. Tata (1962) has also mentioned curriculum as a 'plan for learning'. Some thinkers (Saylor and Alexander, 1974) have considered curriculum as planned learning outcome for which the school is responsible. They have conceived curriculum as educational ends or outcomes, more specifically as the learning outcomes intended to be achieved through instruction.

In recent years, the conception of curriculum as a production 'system' has been embodied in the doctrine of specific 'behavioural' objectives, behaviorism and the theory of 'operant conditioning', development in instructional technology, etc. Saylar and Alexander (1974) have reformulated their definition of curriculum 'as plan' and have further referred curriculum 'as a system'. Objectives are central in decision-making activities including the learning opportunities. Learning opportunities means what is meant for a particular set of objectives and for a particular population. Thus, curriculum is a total plan which means a programme or aggregate of plans or sub-plans, for a particular school. A sub-plan can be appropriately developed for a single domain. Programmes of studies, lists of activities, courses of studies, syllabi units, etc. are actually particular plans for individual aspects of the total curriculum plan. The total curriculum, then, is a plan which represents a series of choices among the internal variables as curriculum designs, instructional modes and evaluative

procedure. Thus it is a system of relating each sub-plan to achieve a definite goal. While curriculum and instructions are taken as separate processes, it actually means curriculum design and curriculum implementation. Though each of these processes means a plan itself both would go together.

An issue of dualism becomes prominent while giving a historical perspective to the concept of curriculum, the dual concepts of curriculum and instruction. Saylor and Alexander (1974) have explained that curriculum and instruction should be separated from each other one is the end, other is the means. The authors have also given the definitions of curriculum as 'descriptive' and 'programmatic'. Definition of curriculum as the totality of experience of each learner under the influence of the school is a programmatic definition as it extends the programmes and responsibilities of the school. When curriculum is defined as the formal course of study—it is a descriptive definition. Thus programmatic definitions, again, present a dualistic conception of curriculum and instruction—totality of experiences is the end and the programme the school adopts is the means to the end. Skinner (1968) also has mentioned that the teacher's role is mechanical, who arranges the contingencies of reinforcement under which the pupils are automatically conditioned towards specific terminal/final behaviour.

#### 4.2 **OBJECTIVES**

After going through this lesson, you shall be able to:

- explain the meaning of curriculum,
- enumerate various characteristics of curriculum,
- delineate the importance of curriculum,
- specify various principles of curriculum, and
- describe various approaches of curriculum.

## 4.3 MEANING OF CURRICULUM

Curriculum is a latin word, 'Currere' which means 'the race, the path, lap or course or runway' which one takes to reach a goal applied to a course of study. If the teacher is the guide, the curriculum is the path. The term curriculum has been used with quite different meanings ever since the field took form. The curriculum is the plans made for guiding learning in the schools, usually represented in retrievable documents of several levels of generality, and the actualization of those plans in the classroom, as experienced by the learners and as recorded by an observer; those experiences take place in a learning environment that also influences what is learned. Curriculum is an instrument of education consists of the continuous chain of activities necessary for translating educational goals into concrete activities, material and observable behavioral change. It is the crux of the whole educational process. Without curriculum, we cannot conceive any educational Endeavour.

The curriculum in a lateral sense is a pathway towards a goal. Curriculum is actually what happens during a course i.e., lecture, demonstration, field visits, the work with the client and so on. Curriculum also means a written description of what happens.

Arthur J. Lewis and Mid Alice (1972) defined curriculum as "a set of intentions about opportunities for engagement of persons to be educated with other persons and with things (all bearers of information process, techniques and values) in certain arrangements of time and space."

A curriculum means, the total situation (all situations) selected and organized by the institution and made available to the teacher to operate and to translate the ultimate aim of education into reality.

In the words of Cunningham, curriculum is a tool in the hands of the artist (the teacher) to mould his material (the pupil) according to his ideal (objective) in his studio (the school). The material is highly selfactive, self-determining human being who reacts and responds consciously.

Curriculum may be defined as the "social environmental in motion". It is the sum total of all the activities and experiences provided by the schools to the learners for achieving the desired objectives. The courses of studies are merely a suggestion for curriculum activities and procedures, a guide for teaching to follow.

Curriculum is one of the most important items in the educative process. The curriculum, in fact, is the fundamental problem which determines the 'warp' and 'woof' of the process of education. What to do and how to do is the very essence of curriculum.

There are various ways of describing curriculum. Following points encompasses six different concepts about curriculum:

- (i) Curriculum as a Plan
- (ii) Curriculum as an Experience
- (iii) Curriculum as a Subject Matter
- (iv) Curriculum as an Objective
- (v) Curriculum as a system
- (vi) Curriculum as a field of study

### (i) Curriculum as a Plan

Oliva (1982) stated that "Curriculum is a plan or programme for all experiences which the learner encounters under the direction of the school." Carter V. Good (1959)

defined curriculum as "a general overall plan of the content or specific materials of instruction that the school should offer the student by way of qualifying him for gradation on certification for entrance into a professional or a vocational field." Tyler and Hilda Taba (1962) defind curriculum "as a plan for action, or a written document, which includes strategies for achieving desired goals or ends." Galen Saylor defines curriculum "as a plan for providing sets of learning opportunities for persons to be educated".

# (ii) Curriculum as an Experience

Tanner and Tanner (1980) stated that "Curriculum is that reconstruction of knowledge and experiences systematically developed under the auspices of the school (or university) to enable the learner to increase his or her control of knowledge and experience."

The Secondary Education Commission (1952-54) states that "curriculum includes totality of experiences pupil receives through the manifold activities that go on in the school, classroom, library, laboratory, workshop, play ground and in numerous informal contacts between teachers and pupils." In other words the whole life of school is curriculum which can touch the life of students at all levels and helps in evolution of a balanced personality.

According to Crow and Crow, "curriculum includes all the learners experiences in and outside the school that are included in a programme which has been devised to help to develop mentally, physically, emotionally, spiritually and morally."

Franklin Boobit (1918) defined that "Curriculum is that series of things which children and youth must do and experience by way of developing abilities to do the things well that make up the affairs of adult life; and to be in all respects of what adults should be"

Krug (1957) defined as "Curriculum consists of all the means of instruction used by the school to provide opportunities for student learning experiences leading to desired learning outcome".

## (iii) Curriculum as a Subject Matter

Doll (1978) defined that Curriculum is both a subject to be taught at colleges and universities and a field in which practitioners work. Curriculum is the formal and informal content and process by which learners gain knowledge and understanding, develop skills and alter attitudes, appreciations and values under the auspices of that school". Curriculum can be considered in terms of subject matter (Tamil, English, Mathematics, Science, Social Science) or content (the way of organization and assimilation of information). Historically and currently the dominant concept of the curriculum is that of subjects and subject matter there in to be taught by teachers and learned by students. Curriculum refers to the set of subjects or course offered and also those required or recommended or grouped for other purposes; thus such terms as the college 'preparatory curriculum' 'science curriculum' and 'premedical curriculum' are commonly used.

# (iv) Curriculum as an Objective

B.F. Skinner views the curriculum as being formulated according to behaviouristic objectives. The curriculum is the series of experiences which children and youth must have by way of attaining activity-based objectives. W. W. Chatters (1923) viewed curriculum as a series of objectives that students must attain by way of a series of learning experiences. Edgar Bruce stated that the curriculum is "an educational instrument, planned and, used by the school to effect the purposes" (Edgar Bruce).

According to Payne, "curriculum consists of all the situations that schools may select and consciously organise for the purpose of developing the personality of its pupils and for making behaviour changes in them."

Bobbit (1918) has defined curriculum "that series of things which children and youth must do and experience by way of developing abilities to do the things well that make up the affairs of adult life: and to be in all respects of what adults should be". Here Bobbit determined curriculum objectives based on skills and knowledge needed by adults. Ralph Tyler (1949) has presented the same views about the curriculum but he combined curriculum and instruction in his approach. Probably he thought that curriculum and instruction cannot be separated otherwise the aims and objectives of curriculum planning will not be attained.

## (v) Curriculum as a system

Curriculum can be considered as a system for dealing with people and the processes or organization of personnel and procedures for implementing the system.

## (vi) Curriculum as a field of study

Curriculum can also be viewed as a field of study, comprising its own foundations and domains of knowledge, as well as its own research, theory, and principles.

### 4.4 NATURE OF CURRICULUM

The nature of curriculum encompasses its inherent characteristics and features which makes it relevant and usable in the society that uses it. As such the points below, tell us the characteristics of a good curriculum.

(i) Curriculum is continuously evolving: It evolved from one period to another, to the present. For a curriculum to be effective, it must have continuous monitoring and evaluation. Curriculum must adapt its educational activities and services to meet the needs of a modern and dynamic community.

- (ii) Curriculum is based on the needs of the people: A good curriculum reflects the needs of the individual and the society as a whole. The curriculum is in proper shape in order to meet the challenges of times and make education more responsive to the clientele it serves.
- (iii) Curriculum is democratically conceived: A good curriculum is developed through the efforts of a group of individuals from different sectors in the society who are knowledgeable about the interests, needs and resources of the learner and the society as a whole. The curriculum is the product of many minds and energies.
- **(iv)** Curriculum is the result of a long term effort: A good curriculum is a product of long and tedious process. It takes a long period of time in the planning, management, evaluation and development of a good curriculum.
- (v) Curriculum is a complex of details: A good curriculum provides the proper instructional equipment and meeting places that are often most conducive to learning. -It includes the student teacher relationship, guidance and counseling program, health services, school and community projects, library and laboratories, and other school related work experiences.
- (vi) Curriculum provides for the logical sequence of subject matter: Learning is developmental. Classes and activities should be planned. A good curriculum provides continuity of experiences.
- (vii) Curriculum complements and cooperates with other programs of the community: The curriculum is responsive to the needs of the community. The school offers its assistance in the improvement and realization of ongoing programs of the community. There is cooperative effort between the school and the community towards greater productivity.
- (viii) Curriculum has educational quality: Quality education comes through the situation of the individuals intellectual and creative capacities for social welfare and development. The curriculum helps the learner to become the best that he can possibly be. The curriculum support system is secured to augment existing sources for its efficient and effective implementation.
- (ix) Curriculum has administrative flexibility: A good curriculum must be ready to incorporate changes whenever necessary. The curriculum is open to revision and development to meet the demands of globalization and the digital age.

Check Your Progress- 1	
Note:	a) Answer the questions given below.
	b) Compare your answers with those given at the end of this lesson.
(i)	Curriculum is a latin word, 'Currere' which meanswhich one takes to reach a goal applied to a course of study.
(ii)	Curriculum is actually what happens.
(iii)	Curriculum can be considered as a system for dealing with
(iv)	The curriculum is responsive to the of the community.
(v)	A good curriculum must be ready to incorporate whenever necessary.

## 4.5 IMPORTANCE OF CURRICULUM

Curriculum is essentially a series of activities and learning outcome goals related to each subject. It serves as a great map, outlining where you need to go and how to get there.

While the curriculum charts the path and provides ideas along the way to support your teaching, there is always room for interpretation. A well-crafted curriculum serves as a reference to ensure that you're on the right track. Its components are designed to develop concepts, from a basic level to increasingly complex topics or skills. It's important to remember that a curriculum is not an isolated signpost for a single school year. Rather, it's a part of a much bigger puzzle that is connected to the curriculum for every other grade. Students make progress from year to year. By following the curriculum with your students, you're preparing them to continue on their journey the next year, and each year after, in a more logical and organized fashion.

The goals for each subject area are not just for students but they are also for teachers. For teachers goals set out in the curriculum for what to teach in a given year for the teachers and students have goals for what they need to learn in a year. Beyond creating shared goals between teachers and students, curriculum also standardizes the learning goals for an entire school and provides a clear path for students to progress from one grade to another. Students must meet certain core competencies before moving on to advanced subjects, such as mastering Basic Accounting before ever attempting Advanced Financial Accounting. Without such a standardized curriculum in place, instructors would

have to create their own learning objectives and somehow coordinate with one another to ensure that their students are on track. Finally, embracing curriculum is worthwhile for yourself and your students because it's not something static. Documents are regularly revisited and updated to reflect the current needs of students and society at large. These updates and changes are the results of collaboration and research. Students will benefit in major ways from the latest information and from having emphasis placed on the skills that are really needed in today's world. All this goes to show that curriculum must and does change regularly, making it an even more essential foundation on which to base our teaching methods. By effectively using curriculum, we can help our students stay on top of the latest in-demand skills and to have a more coherent learning path. Following points iterate the needs and importance of curriculum development:

- (i) Clear purpose and goals: Curriculum construction provides written curricular goals which are nothing but intended student development outcomes. These goals and objectives are specified in considerable detail and in behavioral language.
- (ii) Continuous assessment and improvement of quality: Valid and reliable assessment of the curriculum is necessary. The curriculum followed by an institution should be reviewed regularly in order to maintain its effectiveness in regards to the changing needs of the society as a whole.
- (iii) A rational sequence: In a curriculum educational activities are carefully ordered in a developmental sequence. This developmental sequence helps to form a well planned (or coherent) curriculum based on intended goals and outcomes of the curriculum and its constituent courses.
- **Making strategy in teaching and learning:** Curriculum development helps in suggesting suitable teaching-learning strategies, teaching methods, instructional materials, etc. It helps in providing for the proper implementation of the curriculum on the part of teachers and learners.
- (v) Helps in the selection of learning experiences: Curriculum development is needed for appropriate selection and organization of learning experiences. It helps in the selection of study matter and other activities so that learners are able to acquire goals and objectives of teaching.

# 4.6 PRINCIPLES OF DESIGNING GOOD CURRICULUM FOR COMMERCE

To teach commerce effectively, the teacher has to be thorough with the objectives of teaching commerce at all levels. Commerce is an aspect of pre-vocational business studies taught in the secondary schools. It is also one of the commercial subjects taught

separately at senior secondary school level. Commerce is defined as trade and aids to trade. Commerce is concerned with the exchange of goods, with all that is involved with the buying and selling of goods, at any stage in their progress from raw materials to finished goods in the consumer's hands. It covers not only functions of buying, selling, and handling of goods, but also the many services which must be provided to finance, insurance, store and transfer of goods in the course of this exchange.

Commerce is such a subject that is connected to various other subjects, which include Economics, Mathematics, Marketing, Insurance, Business Management and Geography. Commerce curriculum comprises various subject matters. These include, trade, production, occupation, money and banking, transport, insurance, advertising, communication, and marketing, Introduction to Business management, forms of business, Business law, and consumer protection and so on.

Beside, every aspect of commerce is always in a state of flux due to research and technological changes in the society. Consequently, new topics keep up emerging in the commerce curriculum which commerce teacher might not have ever heard about. For instance, since the emergence of information communication technology, concepts like E-commerce, E-marketing, internet services, Automated teller Machines (ATMs) and others equally emerged in the commerce curriculum and are expected to be taught to students by teachers who never heard of such things during their course of study. This demands that a commerce teacher should regularly update his knowledge on the current happenings in the field of commerce, to be able to inculcate the right information in the students.

In addition to that, he should engage the services of experts in the various aspects of commerce from time to time to educate the students properly in their areas of specialization. Alternatively, he can engage the students on fieldstrip to see for themselves how some commercial activities are carried out by those in the field already. For instance, the recent developments in the areas of Commerce which students are expected to be taught by their teachers are stated below:

- Electronic fund transfer System (EFTS);
- Automated Teller machines (ATMs);
- Debit Cards and Credit Cards.
- Computers and communication technology play a vital role in marketing.
- E-Commerce is now the practice of buying and selling of goods and services over the internet.

Commerce has an important place in the school curriculum. Commerce is aimed at providing adequate knowledge about trade, marketing, transport, communication,

insurance, money, banking, and finance which are the major areas of commerce. Commerce deals with every aspect of human life and therefore commerce is education for better living. Rekha (2014) identified various values of Commerce which are as follows:

- Commerce prepares its recipient for taking up and engaging in, commercial activities efficiently.
- Commerce addresses the issue of anti social values or unethical behavior of marketers and producers which should be avoided. These include bad business dealing such as smuggling, artificial scarcity, tax evasion; substandard products etc.
- The study of commerce enables an individual to appreciate that man is a social being and he must play an important role in bringing about social progress.
- Commerce is an important aspect of the life of a nation. It explains the nature of the society in its special aspects of business and material prosperity Commerce attempts to relate products with culture.
- Commerce can be used to solve various economic problems as unemployment, overpopulation and unequal distribution of wealth.
- Commerce helps to develop certain skills in individuals such as how to write business letter, invoice, etc.
  - Obi (2005) stated the rationale for teaching Commerce in the secondary school as follows:
- To equip the students with the fundamental skills and knowledge of entering, performing and progressing in business.
- To educate students to become better user of the services of business.
- To give the students the ability to use skill subjects on the job more effectively through an understanding of the functions of business that are facilitated by these skills i.e. as a pre-requisite to skill subject,
- and for further education.

Following are various principles of designing a good curriculum for commerce:

should respond to their individual needs and support particular aptitudes and talents. It should provide opportunities for exercising responsible personal choice. The principle of personalization and choice is one of the key principles of curriculum design. This principle plays a significant role in helping teaching professionals and learning institutions in their practice and as a basis for reviewing, evaluating and improving the learning and teaching process once taken into account for all children and young learners.

- (ii) Breadth: Another principle of curriculum design is called breadth in terms of learning experience. Under this principle, all learners are provided with the opportunities for a broad range of experiences in learning process (Apple, 1990). This is due to a fact that their learning is planned and organized in a manner that they learn and develop through a variety of contexts within both the classroom and other aspects of school life. All children and young people should have the opportunities for a broad range of experiences. Their learning should be planned and organised so that they will learn and develop through a variety of contexts within both the classroom and other aspects of school life.
- (iii) **Depth:** There should be opportunities for children and young people to develop their full capacity for different types of thinking and learning, exploring and achieving more advanced levels of understanding.
- **Relevance:** Relevance in terms of content is another key principle of curriculum design that should not be left out. This is because it allows learners to recognize the purpose of their learning and related activities. It is put in place to ensure that learners see the value of what they are learning and its relevance to present and future lives.
- (v) Progression: Children and young people should experience continuous progression in their learning from 3 to 18 years. Each stage should build upon earlier knowledge and achievements. Children and young people should be able to progress at a rate which meets their individual needs and aptitudes.
- (vi) Principle of challenge and content enjoyment: The principle of challenge and content enjoyment is also one of the significant principles of curriculum design. In this case, learners are meant to find their learning process as challenging, attractive and motivating. This is achieved when the curriculum encourages high aspirations and ambitions for all learners despite their intelligence differences. In addition, learners are made to experience a suitable level of challenge that enables them to achieve their potential.
- (vii) Coherence: Finally, another principle of curriculum design is coherence. According to Schmidt (2005), this principle allows a combination of the learner's different aspects of learning activities to form a coherent experience that enhances the achievement of the learning outcomes. There should be clear links between different aspects of learning. Such links should be discussed with children and young people in order to bring different strands of learning together.

These principles must be taken into account for all children and young people. These principles will help teachers and schools in their practice and as a basis for reviewing, evaluating and improving the learning and teaching.

Check Your Progress- 2		
Note:	a) Answer the questions given below.	
	b) Compare your answers with those given at the end of this lesson.	
(i)	provides written curricular goals which are nothing but intended student development outcomes.	
(ii)	is needed for appropriate selection and organization of learning experiences.	
(iii)	In principle, all learners are provided with the opportunities for a broad range of experiences in learning process.	
(iv)	allows learners to recognize the purpose of their learning and related activities.	
(v)	principle allows a combination of the learner's different aspects of learning activities to form a coherent experience that enhances the achievement of the learning outcomes.	

# 4.7 APPROACHES IN ORGANISING CURRICULUM FOR COMMERCE

Approach defines a way of doing work. Curriculum Approach is a way of dealing with curriculum, a way of doing, creating, designing and thinking about the curriculum. A clear understanding of any kind of curriculum depends on the approach the designers of curriculum have adopted. The approach to curriculum provides the broad perspective; orientation or position a particular curriculum is based on. This broad perspective offers a practitioner to examine the minute nuances, which have been built into the curriculum. Very often this broad perspective is based on different theoretical positions pertaining to how educational discourses in a school or college situation have to be designed, developed and implemented. There are number of approaches in organizing curriculum for commerce. These are discussed as under:

# 4.7.1 Concentric Approach

The whole curriculum is spread over a number of years. A general treatment of almost all the topics are attempted at the beginning and it is developed in successive years according to the mental development of the pupils. In the beginning of the course, the whole aspect is given to pupils in a simplified way. In the next year more and more details of its parts are added. It follows the maximum of teaching, such as from whole to part, simple to complex, easy to difficult etc. Sometimes this approach is referred to as concentric

approach. But the term "spiral approach" is preferred to the other. The term spiral gives the additional implication that while attempting gradation the linkage too is taken care of and the continuing of the topic concerned is never broken.

According to this approach children in the primary classes begin to develop simple generalizations about man carrying on his everyday activities. Gradually as they progress through the middle and high classes, they work with more and more difficult arrangement of information, and as a result, deepen and reshape the dimensions of their generalizations about these activities. Thus by the time they complete the secondary stage, children refine the same generalization many times using increasingly more abstract level of thought at each higher section of learning. An attempt is made to design a sequential arrangement of experiences that will produce a spiral of cumulative learning. Areas of study at each level are treated wholistically which means whatever is taught to the child is a whole in itself at the same time, leaves scope for additions to be made with the addition of understanding and maturity on the part of the child.

For instance it is very important that children should know our freedom struggle. In the primary classes the information about this unit will be imparted through some of the more important leaders. In the middle stage, the information will be imparted through events like The Indian National Congress, Partition of Bengal, The Gandhian Era, The civil disobedience, the INA, Quit India Movement. In the secondary stage, the pupils will learn to compare and contrast the freedom movement in our country with other countries of the world.

Thus concentric approach is nothing but devising a strategy that fosters continuous, unbroken learning of the subject matter of social science through the primary, middle and secondary stages.

Although, in this approach the path is narrower the way is simpler, the pupil gets somewhere and will not easily forget his journey. Moreover he is interested from the very beginning. It is easy to proceed from the known to the unknown.

Use of this approach will make social science a subject of immediate and real interest. For the average pupil, it will be the basis of an abiding interest and for the more intellectual; it will be the basis on which surely academic and specialist study can be built.

### Merits of Concentric Approach

- Continuous learning of the subject matter through primary to the secondary stage.
- Based on the psychological principle i.e., from simple to complex.
- Easy to proceed from known to unknown
- Provides basis for specialization

## **Demerits of Concentric Approach**

- It is argued that the approach is psychologically unsound. The same facts are repeated again and again. The presentation being devoid of freshness and novelty fails to rouse curiosity and a sense of wonder in the pupil.
- It is difficult to develop time and space sense in the pupils through this approach.
- It is difficult if not possible to give a clear picture of a problem, vivid with detail.
- Hurried and passing references will not be of help in understanding complex problems.
- If this approach is followed, it is difficult to develop time and space sense in the problem
- A sense of boredom and dullness is inevitable because the children have gone through the whole course more than once. They develop a sense of familiarity without the fullness of knowledge.

# 4.7.2 Topical Approach

In this method a particular topic is started in a particular grade and finished over there only. Thus topic marked for particular grade must not be touch in other grade. The selected topic becomes the centre of correlation. It is opposite of concentric method.

Concentric method involves the breaking up of a topic into suitable portions, whereas topical method aims at keeping it intact. In topical method a topic is taken as unbreakable unit. It is based on the principal that any topic when begun should not be left half done. It should be finished in its entirety, before the next topic is taken.

'Topical method' is more a system of arrangement of subject matter than a method of teaching. Its adoption depends on a suitable organization of the syllabus. The topic is to be taught at as stretch, without a break or a gap. The other approach to this method is that a topic is selected and is made the basis of many other topics. The selected topic becomes the centre of correlation.

For example while dealing with the Financial Accounting, the students can be acquainted with Journal entry, Book keeping, Ledger Accounts, Profit and Loss A/C and Balance sheet and even extended to Advanced Financial Accounting.

## Merits of Topical Approach

- It provides continuity. Continuous teaching of topic not only save the student from divided attention, but may ensure their full and whole hearted concentration on the topic. A natural link and sequence will exist in the day today work in class room. The student's complete attention, ability and capacity will be directed exclusively to the topic under study for a sufficiently long time.
- It gives significance to content.
- Each topic has transfer value for other topics.
- It facilitates learning.
- As topics are most easy to teach rather than the complicated content of thee text. It provides an effective aid for the teacher.
- The topical arrangement is helpful in advising the duplication in the curriculum.

### **Demerits of Topical Approach**

- Sometimes topic is not selected carefully to avoid duplication.
- It implies a false and misleading simplicity.
- As there is no agreement as to what constitutes a suitable topic, therefore some topic included are trivial and others are all inclusive.
- The sum total of topics falls for short of the subject or field.
- A proper study of topics requires a better library than is usually available.
- Lack of efficient teachers for proper selection of topics.
- The interest of the student may go away within a month, if we focus on only on a particular topic.
- This method does not provide any opportunity for year to year revision.

# 4.7.3 Integrated Approach

The concept of integrating curriculum is nothing new. It's been around, in fact, since the 1800s and was advocated by such well-known educational theorists as John Dewey and Meredith Smith. It has gained recent attention, however and more and more educators think that it is the best way to teach. It is a curriculum in which subject matter boundaries are ignored, all subjects being taught in a relation to broad areas of study and in relation to one another as mutually associated to some genuine life relation.

Curriculum integration can be described as an approach to teaching and learning that is based on both philosophy and practicality. It can generally be defined as a curriculum approach that purposefully draws together knowledge, skills, attitudes, and values from within or across subject areas to develop a more powerful understanding of key ideas. Curriculum integration occurs when components of the curriculum are connected and related in meaningful ways by both the students and teachers.

Integrated curriculum is a way to teach students that attempts to break down barriers between subjects and make learning more meaningful to students. In its simplest conception, it is about making connections. The integrated approach aspires to help pupils obtain a coherent view of science by establishing numerous links between the various branches of science. Integrated science integrates the perspectives of subdisciplines such as biology, chemistry, physics, and earth/space science. Through this integration, teachers expect students to understand the connections between the different subdisciplines and their relationship to the real world. Integrated curriculum requires accessing knowledge from all of the traditional subjects without labeling them as such. In addition, integrated curriculum adds problem-solving, real-world application and social consciousness to the learning process, making it a more comprehensive way of educating and of learning.

In general, all of the definitions of integrated curriculum or interdisciplinary curriculum include (Lake, 1994): a combination of subjects; an emphasis on projects; sources that go beyond textbooks; relationships among concepts; thematic units as organizing principles; flexible schedules; flexible student groupings.

Integrated curriculum is an effective way to teach and learn because it corresponds with the way our brain works physiologically. Rather than separating knowledge into discrete partitions, the brain creates a complex web of information that recognizes patterns. Moreover, learning within a known context or experience helps the brain remember information more effectively. Infact, the physical structure of the brain changes as a result of experience, and it grows and develops more in an interactive environment.

Integrating curriculum is a way to capitalize on these existing features of the human brain and work with, rather than counter to its natural function. Besides being compatible with brain function, there are other reasons integrated curriculum makes sense. First, it teaches concepts that help students approach any situation or problem, rather than facts which have limited application. When you think about how knowledge has grown, but classroom time has not, you can see how this way of approaching education is more beneficial to the student in the long run. We can't teach every fact, so it's better to teach how to think about facts. Finally, there is no particular rationale for the way things are done currently. The current system is infact, somewhat counterproductive, as it does not encourage teacher-teacher communication or resource-sharing. With integrated curriculum, however, these kinds of communications are an indispensable part of the process. They ensure that information is not repeated, and that teachers help each other teacher, rather than working at odds with each other.

#### Integration

- Allowing for flexibility: Through curriculum integration, teachers can plan for the development of key skills and understandings that transcend individual strands and subjects.
- Building on prior knowledge and experiences: Choosing meaningful connections among subject areas helps students build on their diverse prior knowledge and experiences, support their holistic view of the world and ensures more meaningful learning.
- Unifying the students' learning: Curriculum integration enables students to develop a unified view of the curriculum to broaden the context of their learning beyond single subject areas.
- Reflecting the real world: When curriculum is organized in a holistic way, it better reflects the real world and the way children learn at home and in the community.
- Matching the way students think: Brain research supports the theory that younger students take in many things and process and organize them at one time. Teaching ideas holistically, rather than in fragmented pieces, better reflects how young students' brains process information.

# **Curriculum integration enables teacher to:**

- Identify the connections within and among the content of subject areas
- provide a relevant context for learning, based on the needs of students
- assess students' skills and understandings in a variety of learning contexts
- manage the content of the program of studies more easily because outcomes from different areas or key learning skills are both addressed at the same time and reinforced
- Increases student's motivation and participation.

#### 4.7.4 Other Approaches

**4.7.4.1 Nature Approach:** Nature study is defined as "learning to be really alive to the world around". The use of the word study implies that independent work must be done by the pupil, and while books, pictures and models are valuable aids in the teaching, the subject matter is nature herself.

#### Aim of Nature study:

- (a) The cultivation of interest in the world around.
- (b) The development of habits of careful observation and later on coherent reasoning.
- (c) The cultivation of the power of expression
- (d) The free development of individuality of the pupil.

- **4.7.4.2 Nature Rambling:** The main criteria are the experience of the child. Child is considered as the rambler in his environment. The materials the child is likely to meet with the scientific situations be likely to face with are chosen and arranged in the science course. Accordingly the science course of the first year may contain the elementary study of planets, trees sun, moon, birds, stars, and rain. In the second year the study of rock, different kinds of rock, kinds of water, purification of water, solar system, seasons and like are contained. In the third year the study of sand, minerals, atmosphere, soil, eclipse and shadows are inculcated. It lays foundation for advanced studies because all natural science is specialized forms of nature study. It develops the power of observation reasoning and it establishes good relationships between the child and his environment.
- **4.7.4.3 Behavioural Approach:** Behavioural Approach is based on the behavioural principle, goals and objectives are specified, content and activities are also arranged with learning objectives. Learning outcomes are evaluated in terms of goals and objectives set of beginning. Its main aim is to achieve efficiency. In this approach change in behaviour indicates the measure of the accomplishment.
- **4.7.4.4 Managerial Approach:** Managerial Approach became dominant in the 1950's and 1960's. It is based on following principle:
- (1) General Leader: General leader sets the policies and priorities, establishes the direction change and innovation and planning and organizing curriculum and instruction.
- (2) Instructional Leader: Instructional leader provides the path way of accomplishing ay task.
- (3) Curriculum Leader: He looks at the curriculum changes and innovations as they administer the resources and restructure the school infrastructure.

#### Role of Curriculum Leader:

- (i) To help in the development of School's educational goals.
- (ii) To plan curriculum with students, parents, teachers and other stakeholders.
- (iii) To design programs of study by grade levels.
- (iv) To help in the evaluation and selection of textbook.
- (v) To assist teachers in the implementation of the curriculum.
- (vi) To develop standards for curriculum and instructional evaluation.
- **4.7.4.5 System Approach:** The whole system is approached by system theory. The whole approach represents line-staff relationship of personnel and represents the way, how the decisions are made. It gives the equal importance to all levels:
- (1) Administration

- (2) Counselling
- (3) Curriculum
- (4) Instruction
- (5) Evaluation.
- **4.7.4.6 Humanistic Approach:** It is rooted in the progressive philosophy and follows the child centered movements. It considers the formal or planned curriculum and the informal or hidden curriculum. It considers the whole child and believes that in curriculum, the total development of the individual is the prime consideration.
- **4.7.4.7 Taylor's Model (A Classical Model):** It is often termed as Taylor's Model and Objective Model. This model emphasis on consistency, objectives, learning experience and study outcomes. Curriculum objectives indicate both behaviour to be developed and content to be applied.

# According to this approach there are Four Principles of Teaching:

- (i) Defining Appropriate Learning Objectives.
- (ii) Establishing Useful Learning Experiences.
- (iii) Organising Learning Experiences to have maximum Cumulative effect.
- (iv) Evaluating the curriculum and revising those aspects that did not prove to be effective.
- **4.7.4.8 Hilda Taba's Model:** It is known as Grassroot Approach, where teachers are involved in the development of curriculum. Here the goal is to provide students with cognitive support. Taba's model includes seven steps:
- (i) Diagnosis of Students' needs: Educators must first identify the students' needs for the development of curriculum.
- (ii) Formulation of Objectives: Objectives should be specific.
- (iii) Selection of Content: The content matches the objectives, as well as demonstrates validity.
- (iv) Organisational Chart: Curriculum content is designed based on students' interest, development and achievement.
- (v) Selection of learning experiences: Instructional methods are selected by teachers.

- (vi) Organisation of learning activities: The organisation of learning activities is determined by the teacher.
- (vii) Evaluation: Evaluation procedures are determined by students and teachers.

Check Your Progress-3		
Note:	a) Answer the questions given below.	
	b) Compare your answers with those given at the end of this lesson.	
(i)	is nothing but devising a strategy that fosters continuous, unbroken learning of the subject matter of social science through the primary, middle and secondary stages.	
(ii)	involves the breaking up of a topic into suitable portions, whereas topical method aims at keeping it intact.	
(iii)	can be described as an approach to teaching and learning that is based on both philosophy and practicality.	
(iv)	Nature study is defined as	
(v)	General leader sets the, establishes the and planning and organizing curriculum and instruction.	
(vi)	In Approach teachers are involved in the development of curriculum.	

#### 4.8 LET US SUM UP

Curriculum is the planned and guided learning experiences formulated through the systematic reconstruction of knowledge and experiences, under the supervision of the school, for the learner's continuous and willful growth in personal social competence. Thus it does the diagnosis of social needs, formulation of objectives, learning experiences and further it is planned as the learning experiences are reconstructed, graded and sequenced keeping in view of the learner. It is continuous as the learning outcomes are formulated for the reconstruction of experience, as it enables one to acquire social competence. Therefore curriculum is the sum total of the school's efforts to influence learning whether in the classroom, on the playground or outside the school. School is the institution for the implementation and experimentation of the construction of curriculum. Curriculum programmes should be made on the needs of the society and the interests of the pupil. Curriculum is an aid in the process of adjusting the child to the environment in which he will have to organize his activities later.

Basing on the aforementioned principles of curriculum design, there is no doubt that curriculum design process plays a key role in the production of core educational programmes to enhance not only learners' final learning outcomes and destinations but also well general learning and teaching approaches and requirements.

#### 4.9 LESSON END EXERCISE

- 1. What do you understand by curriculum? What are the characteristics of curriculum?
- 2. Why curriculum is important?
- 3. Explain various principles of designing good curriculum for commerce?
- 4. What is concentric approach in organizing curriculum? Discuss its merits and demerits.
- 5. What is topical approach?
- 6. Explain Integrated approach.

#### 4.10 SUGGESTED FURTHER READINGS

Agarwal, J.C. and Gupta, C.D. (2005). *Towards Learning without Burden and Quality of Education- An Evaluation*. NewDelhi: Shipra Publications.

Aggarwal, J.C. (1996). Teaching of Commerce. New Delhi: Vikas Publication.

Bhalla, N. (2007). Curriculum Development. Delhi: Authorspress.

Doll, R.C. (1996). *Curriculum improvement: Decision Making and Process*. Boston: Allyn and Bacon.

Malhotra, M.M. (1985). *Curriculum Evaluation and Renewal*. Manila: CPSC Publication.

Rao, S. (2002). *Teaching of Commerce*. New Delhi: Anmol Prakashan.

# 4.11 ANSWERS TO CHECK YOUR PROGRESS

#### **Answers to Check Your Progress-1**

- (i) 'the race, the path, lap or course or runway';
- (ii) during a course;
- (iii) people and the processes or organization of personnel and procedures;
- (iv) needs;
- (v) changes.

# **Answers to Check Your Progress-2**

- (i) Curriculum construction;
- (ii) Curriculum development;
- (iii) Breadth;
- (iv) Relevance;
- (v) Coherence.

# **Answers to Check Your Progress-3**

- (i) Concentric approach;
- (ii) Concentric method;
- (iii) Curriculum integration;
- (iv) "learning to be really alive to the world around";
- (v) policies and priorities, direction change and innovation;
- (vi) Grassroot.

LESSON NO. 5 UNIT- II

# ROLE OF TEXTBOOKS IN TEACHING OF COMMERCE

### **STRUCTURE**

5.1	Introduction
5.2	Objectives
5.3	Meaning of Textbook
5.4	Importance of Textbook
5.5	Role of Textbook in Teaching of Commerce
5.6	Qualities of a Good Textbook of Commerce
5.7	Let Us Sum Up
5.8	Lesson End Exercise
5.9	Suggested Further Readings

Answers to Check Your Progress

### 5.1 INTRODUCTION

5.10

The textbook is a book used as a standard source of information for formal study of a subject and an instrument for teaching and learning. It should be regarded as one of the many sources teachers can draw upon in creating an effective lesson and may offer a framework of guidance and orientation. Additionally, the textbook provides confidence and security for an inexperienced teacher who finds adapting existing textbooks challenging especially for tailored work related courses. It is necessary to emphasize that no readymade textbook will ever fit perfectly every language program. There is no ideal textbook, ideal for every teacher, ideal for every group of learners and ideal in every teaching situation. Moreover, teachers' reactions to using ready-made textbooks are manifold. Many teachers

are required to use textbooks and are bound to the textbook in its existing form. Since this simplifies class preparation for teachers, this is acceptable for some teachers who eventually begin to over-rely on textbooks and decide to follow the textbook closely, making no or only small essential changes and additions. On the other hand, some teachers reject the textbook approach to learning and wish to make substantial changes to the textbook they need to use. Adapting a textbook to fit actual needs of a group of learners is a demanding and time-consuming process. Apart from lack of time and resources that majority of teachers state to be the main obstacles in adapting textbooks, teachers also need training and experience in modifying textbooks. It is not only the teachers who have a significant impact on the use and modification of textbooks; the learners' reaction to textbooks needs to be taken into consideration as well. For the learners the textbook is one of the most important sources of contact they have with the language. It is a framework or guide that helps them to organize their learning. It is helpful to involve students in the process of adapting textbooks. Consequently, they would feel that their needs are respected and they would feel much more motivated to successfully finish the course.

### **5.2 OBJECTIVES**

After going through this lesson, you shall be able to:

- explain the meaning of textbook,
- delineate the importance of textbook,
- outline the role of textbook in teaching of commerce, and
- describes the qualities of good textbook of commerce.

### 5.3 MEANING OF TEXTBOOK

A textbook is a <u>book</u> used for the study of a <u>subject</u>. People use a textbook to learn <u>facts</u> and <u>methods</u> about a certain subject. Textbooks sometimes have questions to test the knowledge and understanding of the learner. A textbook is a book of instruction. Its primary aim is not to impart information about a specific subject but to enable one to develop proper understanding of the subject. Presentation is extremely important and it is prepared to serve a particular level of readership. It cannot be comprehensive. Often presentation is colorful and attractive, giving plenty, of illustrations and diagrams. A good text-book takes into consideration the method of teaching and level of readership. It is revised keeping in view new development and changing methodology of teaching.

A workbook is a type of textbook that has only practice questions and exercises. Workbooks are designed not to teach but to provide practice and to highlight areas which need more learning. A revision guide is a type of textbook that is used to remind the learner about the subject and give him/her extra practice, especially before an examination.

A textbook is usually lent to students by a school to accompany a course, the school is teaching. Sometimes, especially at university, students have to buy the textbooks they need themselves or borrow them from a library.

Most textbooks are only published in printed format. However, some are now available online as electronic books.

Textbooks play a pivotal role in classrooms in all types of educational institutions whether they are public schools, colleges, and language schools. In some contexts, teachers are free to choose their own textbooks. The vast majority of teachers, however, have textbooks suggested, prescribed, or assigned to them. The textbook is a tool in the hands of the teacher, and the teacher must know how to use it, and how useful it can be for everyone. Textbook may serve primarily to supplement the teacher's instruction. For learners, the textbook may provide the major source of contact they have with the language apart from input provided by the teacher. In the case of inexperienced teachers textbooks may also serve as a form of teacher training. They provide ideas on how to plan and teach lessons Hutchinson and Torrast (1914) sidentiffe four ways in which textbooks can help in times of educational change; first as "a vehicle for teacher and learner training"; second because they provide "support and relief" from the burden of looking for materials; third by providing "as complete a picture as possible" of "what the change will look like"; and fourth through the **psychological support** they give to teachers. However, fulfillment of these goals, especially the first and the third, depends on the approach and quality of the textbook. The materials may not be in tune with the new kind of teaching being encouraged, following instead the methodology already commonly being practiced; alternatively, the materials may be so difficult to use that teachers are unable to follow them as intended, making them revert to their previous practice. In either case, rather than agents of change, books will be "agents of conservatism," reducing the likelihood of teachers trying out new, alternative approaches and methods. So it has great impact at all level of programmes, from policy matter and administrators to teacher and students all rely heavily on textbook to achieve prescribed goals and objectives. The textbook determines the components and method of learning. It controls the contents, the method and the procedures of learning. Students learn what is presented in the textbook, in other words the way the textbook presents materials is the way the students learn it. In fact the educational philosophy of the textbook influences the class and the learning process. It provides neat and clean platform for it users. Teachers get good readymade activities which provides concrete sample of classroom progress.

#### 5.4 IMPORTANCE OF TEXTBOOK

A text book is very useful for a teacher in the following ways. A text book is written according to the syllabus and gives the outline of the course. Therefore it helps the teacher to decide about the limits and depth of the content to be presented to the students while teaching. Following points highlights the importance of textbook:

- (i) A text book provides insight to the teacher in planning lesson, in selecting the problems to be worked out, the methods of teaching to be adopted and the teaching aids to be used.
- (ii) The logical and psychological sequence followed in a text book helps the teacher in presenting the subject matter in an orderly and systematic sequence.
- (iii) A good text book presents a variety of worked out examples on each topic. This helps the teacher in getting acquainted with different types of problems and the methods to solve them. This gives more self confidence while teaching.
- (iv) A text book save lot of time for the teacher as he need not to spend time in preparing problems and the solutions as they are readily available in the text books.
- (v) A text book is an important aid for learning commerce. It helps the pupils to relate what they are learning to life.
- (vi) It helps to foster the right study attitude among the students since the text book presents defined and concrete details in scientific and intensive manner which could arouse the students interest and curiosity.
- (vii) The well graded exercises provided after every topic in the text book help the teacher in assigning suitable homework and assignment to the student.
- (viii) It encourages self study and independent work among the students.
- (ix) The text book provides important source of materials for reviewing and recapitulating the lessons taught in the class.

The text book is valuable only when it is used properly. The text book should not be used as the only source of instructional material. It should be used as an aid in teaching, not a substitute for teaching.

# Check Your Progress-1 a) Answer the questions given below. Note: b) Compare your answers with those given at the end of this lesson. **(i)** A ..... is a book used for the study of a subject. (ii) A ..... is a type of textbook that has only practice questions and exercises. The ...... and ..... sequence followed in a text book helps the teacher (iii) presenting the subject matter in an orderly and systematic sequence. (iv) A text book ...... as he need not to spend time in preparing problems and the solutions as they are readily available in the text books. It encourages ...... and independent work among the students. (v)

### 5.5 ROLE OF TEXTBOOKS IN TEACHING OF COMMERCE

Commerce is the strong foundation of any society or nation. The economy of any society depends on the transaction of goods and services for some monetary exchange. The process of need, demand, and supply can also be termed as a part of commerce. The characteristics of commerce in themselves speak loud, the prime importance of commerce in any society. Commerce is a process which includes all the steps from collecting raw material to converting it into finished goods and services to its distribution reaching the buyers. The characteristics of commerce make it mandatory to include a monetary transaction in all its processes as it is purely an economic activity which works for the sake of profit.

Commerce takes the responsibility of protecting the lack of any goods and services in an economy and at the same time creates the market for all its goods and services. It maintains a balance between demand and supply of each and every goods and service. Let us count the chief characteristics of commerce as a base of any economy.

- **Purely Economic and Business Activity:** The needs and wants of the masses give rise to the production of goods and the creation of services in an economy. The buying and selling of these goods and services with an aim to earn a profit are what the characteristic of commerce is and hence it is purely an economic and business activity. It creates employment and helps in the process of growth of the industries and the economy as well.
- **Production and Marketing:** One of the chief characteristics of commerce is to provide a connecting cord from the one end of the needs to raw material to production to finished goods and services to marketing to selling and buyers at the other end. Commerce puts all the beads together in a thread. It ensures the production of all the required products and services and then at the same time maintains the availability of market and buyers for each and every product and service.
- Continuity: Business cannot fulfill all the needs and requirement in one single transaction. The goods and services are required to be delivered continuously for the needs of the people as well as for the growth of the business. So, we can say that continuity is a special characteristic of commerce that cannot be missed. Production, transportation, and delivery of the goods and services should be continuous so as to maintain a balance between demand and supply.
- Aims at Profit: Any economic and business process aims at a profit and so is the characteristic of commerce as well. From the purchase of raw material to the production, distribution, marketing, transportation and finally selling the finished goods and services all the activities aim to earn a profit. It enhances the growth of an economy and raises the standard of living of people. The amount of profit motivates the people to serve better and grow together in an economy as a whole.

- Challenging And Uncertain: Every business and for that matter, every rewarding task accompanies challenges and uncertain conditions. In business also we face many challenges and such uncertain conditions which we have to overcome and make ourselves prepared for. Challenges and uncertainties are the characteristic features of commerce. There are two kinds of uncertain situations i.e., predictable for which we can arrange precautionary measures and some unpredictable situations which we have to welcome and overcome. These situations help in exploring possibilities and new dimensions of our business.
- Creative and Ever Evolving: Business is an art and every art is creative in its sphere. As a domain of business creativity and evolutions are the characteristics of commerce. It is the job of a businessman to seek new, innovative and creative methods of production, distribution, sales, and marketing of its products. Development in the current goods and services, as well as innovative ideas for new products and services together, forms this creative process of commerce. This creativity is ever evolving and does not pause or terminate at any step.
- **Customer Centered:** From the older profit-oriented approach commerce has shifted to the modern customer-oriented approach. Profit making is still a part of commerce but modern business is customer centered and aims at the complete satisfaction of the customers. It provides the best products and services at a reasonable cost to its customers.
- Socialisation: Business and society both are connected and forms a team, without the existence of one, the other cannot exist. Business needs people from society to work as employees, investors to invest money, and customers to buy the products, whereas a society also needs the goods and services produced in a business. We can conclude that socialization is one of the chief characteristics of commerce.
- Role of Government: Business is run for the welfare of society and to ensure the same business has to follow certain guidelines and rules and regulations formed by the government. Governance control is also the characteristic of commerce.
- **Optimum Utilisation and Saving of Resources:** The progress of any business highly depends on the optimum utilization of all the available resources and making maximum output with the minimum input. Saving of resources also ensures growth and best utilization of resources.

All these characteristics of commerce together compile and outshine what commerce is in its real sense. Commerce is an important beam of any economy or business. It is the strong foundation of national development and creation of wealth for the nation and its people. Hence the role of textbook is very essential in the teaching of commerce.

Following points highlight the role of textbook in commerce field:

- (i) **Provide Insights:** A textbook provides insight to the teacher in planning lesson, in selecting the problems to be worked out, the methods of teaching to be adopted and the teaching aids to be used.
- **(ii) Helps in making logical sequence:** The logical and psychological sequence followed in a textbook helps the teacher in presenting the subject matter in an orderly and systematic sequence.
- (iii) Easy Practice: A good textbook presents a variety of worked out examples on each topic. This helps the teacher in getting acquainted with different types of problems and the methods to solve them. This gives more self confidence while teaching.
- **(iv)** They provide structure and a syllabus for a program: Without textbooks a program may have no central core and learners may not receive a syllabus that has been systematically planned and developed.
- (v) They help standardize instruction: The use of a textbook in a program can ensure that the students in different classes receive similar content and therefore can be tested in the same way.
- (vi) They maintain quality: If a well developed textbook is used students are exposed to materials that have been tried and tested, that are based on sound learning principles, and that are paced appropriately.
- **(vii)** They provide a variety of learning resources: Textbooks are often accompanied by workbooks, CDs and cassettes, videos, CD ROMs, and comprehensive teaching guides, providing a rich and varied resource for teachers and learners.
- (viii) They are efficient: They save teachers' time, enabling teachers to devote time to teaching rather than material's production.
- (ix) They can provide effective language models and input: Textbooks can provide support for teachers whose first language is not English and who may not be able to generate accurate language input on their own.
- (x) They can train teachers: If teachers have limited teaching experience, a textbook together with the teacher's manual can serve as a medium of initial teacher training.
- (xi) They are visually appealing: Commercial textbooks usually have high standards of design and production and hence are appealing to learners and teachers.
- (xii) Economy: A textbook is the cheapest way of providing learning material for each learner.

- (xiii) Convenience: A textbook is a convenient package. It is bound, so that it components stick together and stay in order, it is light and small enough to carry around easily.
- (xiv) Written and spoken material: Textbook helps the teachers by providing a variety of learning resources both for written and spoken material, provides activities for learners to practice the different branches of commerce and provides idea in arranging the lesson plan, provides guidance in giving homework to their students and helps them to standardize the instruction.

Check	Check Your Progress- 2	
Note:	a) Answer the questions given below.	
	b) Compare your answers with those given at the end of this lesson.	
(i)	Any economic and business process aims at a	
(ii)	Modern business is	
(iii)	The progress of any business highly depends on the	
(iv)	A textbook is the cheapest way of providing for each learner.	
(v)	Textbook helps the teachers by providing a variety of learning resources both for	

# 5.6 QUALITIES OF A GOOD TEXTBOOK OF COMMERCE

A textbook maybe described as being an aid to teaching and learning which is specially prepared by experts for the use of students and teachers. In the words of Kothari Education Commission, "A good textbook written by a qualified and competent specialist in the subject and produced with due regards of printing, illustrations and general get up, stimulates the pupil's interest and helps the teacher considerably at his work".

There are various aspects for the good commerce textbook. Broadly these are categorised into three groups. They are Academic Aspects, Physical aspects and Instructional aspects. These are discussed as under:

### **5.6.1** Academic Aspects

(i) Selection of the content: Under this aspect, the good textbook must have qualities like relevant content, integrated content, adequate content, up-to-date content, able to link it with life.

- **Organisation of the content:** A good textbook is divided into units, divided into sections, follow psychological approach, consistent and flexible organisation of subject matter.
- (iii) **Presentation of the content:** In a good textbook, attractive and appropriate title is used, motivating presentation is inculcated, interesting and creative approach is followed, adequate terminology is used, adequate provision for replication is made and provision for suitable suggestions for teachers are drawn.
- **(iv) Verbal Communication or Language:** In a good textbook, appropriate vocabulary is used, short and simple sentences are written, always correct spellings, correct punctuations, grammatically correct language and proper technical terms are included.
- (v) Visual Communication (illustration): In a good textbook, clear illustrations, purposeful, adequate and variety of illustrations are included to make the students to practice in their own.
- (vi) Learning Assignments (Exercises and Projects): In a good textbook, adequate exercises are included which has wide coverage, scope, covers real projects, challenging exercises and graded exercises.
- **(vii) Prelims and Back pages:** In good textbook, appropriate title page, suitable preface, effective introduction, correct table of contents, complete bibliography, suitable glossary and a fine Index is presented.

### **5.6.2** Physical Aspects

- (i) Size of the Book: Good textbook, always has suitable size and suitable volume.
- **(ii) Printing Layout:** Good textbook always have suitable length, suitable type, appropriate margin, aesthetic outlook and appropriate spacing.
- (iii) **Durability:** For a good textbook, qualities like durable paper, life of the book, suitable price of paper are considered.

### 5.6.3 Instructional aspects

(i) Fixing the objectives: Good textbook should aim at the teaching materials that have to be taught to the class. A book whose objectives are exactly the same as our own, but some materials will be better than others. This means that the amount

of adaptation and extra material to be provided by the teacher will be highly valuable.

- (ii) Vocabulary: Both linguistic and thematic contents must be right in good textbook. If the linguistic content is poor, the teacher will have to do a great deal of adaptation. He will constantly have to add the book by creating exercises to fill the gaps, and it will constantly have to add to the children's knowledge by explaining items which the book contains but which he judges not worth teaching for active use. If the thematic content is poor, the children will be the ones who have to make the extra effort, the effort to remain interested in activities when the materials do not provide the stimulus.
- **(iii)** Achievement of Target: Good text-book should clearly state the target to be achieved by the end of the year and from lesson to lesson in terms of illustrations and exercises.
- **(iv) Illustrations:** A good Commerce text-book should be fully illustrated. The illustrations should be drawn correctly, relevant to the situations presented in the reading material.
- (v) Exercises at the end of the Lesson: The content and the language material in each lesson should be further practiced and tested through a variety of interesting and graded exercises at the end of each lesson. There should be sufficient and suitable teaching and testing exercises on each lesson. The instruction for each lesson should be simple enough for the students to understand.

## 

#### 5.7 LET US SUM UP

The textbook plays an important role in teaching and learning. It represents a useful resource for both teachers as a course designers and learners as persons who are acquiring the English language. However, the use of a ready-made textbook has its advantages and disadvantages. This paper aims at investigating the benefits and hindrances in using a ready-made textbook as well as ways of textbook adaptation. Textbook adaptation

is a process of overcoming problems in using only ready-made textbooks. Textbook adaptations at activity level, unit level and syllabus level are an integral part of the course-developing process which assists the teacher in meeting the learners' specific work-related needs.

Textbooks give a great contribution in the teaching learning process both to the teachers and to learners. They offer a framework of guidance and orientation. However, apart from numerous advantages a single textbook frequently does not meet diverse needs of the learners. This generates a need for textbook adaptation at the activity, unit and syllabus levels. Adapting provides teachers with an opportunity to make a greater use of their professional skills and for learners to be involved in the learning process.

#### 5.8 LESSON END EXERCISE

- 1. What is the do you understand by textbook?
- 2. What is the importance of textbook?
- 3. Write the role of textbook in teaching of commerce?
- 4. What are the various qualities of textbook for teaching in commerce?

### 5.9 SUGGESTED FURTHER READINGS

Agarwal, J.C. and Gupta, C.D. (2005). *Towards Learning without Burden and Quality of Education- An Evaluation*. New Delhi: Shipra Publications.

Aggarwal, J.C. (1996). *Teaching of Commerce*. New Delhi: Vikas Publication.

Bhalla, N. (2007). Curriculum Development. Delhi: Authorspress.

Doll, R.C. (1996). *Curriculum improvement: Decision Making and Process*. Boston: Allyn and Bacon.

Malhotra, M.M. (1985). *Curriculum Evaluation and Renewal*. Manila: CPSC Publication.

Rao, S. (2002). Teaching of Commerce. New Delhi: Anmol Prakashan.

#### 5.10 ANSWERS TO CHECK YOUR PROGRESS

#### **Answers to Check Your Progress-1**

- (i) textbook;
- (ii) workbook;
- (iii) logical, psychological;
- (iv) save lot of time for the teacher;
- (v) self study.

# **Answers to Check Your Progress-2**

- (i) profit;
- (ii) customer centered;
- (iii) optimum utilization;
- (iv) learning material;
- (v) written, spoken

# **Answers to Check Your Progress-3**

- (i) qualified, competent;
- (ii) vocabulary;
- (iii) exercises; (iv) length;
- (v) linguistic, thematic

LESSON NO. 6 UNIT-II

# **ROLE OF CO-CURRICULAR ACTIVITIES**

# **STRUCTURE**

6.1	Introduction
6.2	Objectives
6.3	Meaning of Co-curricular Activities
6.4	Importance of Co-curricular Activities
6.5	Steps of organizing Co-curricular Activities
	6.5.1 Organisation of Literary and Cultural Activities
	6.5.2 Organisation of Physical Activities
6.6	Let Us Sum Up
6.7	Lesson End Exercise
6.8	Suggested Further Readings
6.9	Answers to Check Your Progress

#### 6.1 INTRODUCTION

Co-curricular activities form an important part of the educational programme in the present times. The Mudaliar commission states "A school is not merely a place of formal learning, whose main concerns is to communicate a prescribed quantum of knowledge, which is primarily interested in training its pupils in the gracious art of living". To obtain these aims we have to move out of the four walls of the classroom and introduce some well organised and well planned programmes of co-curricular activities. The information gained through such programmes supplements the information gained the regular schools courses in the class.

An effective teacher performs many roles and functions which are very essential in promoting the holistic development of the learners. One of the roles that teacher performs is the organisation of co-curricular activities. These activities have existed in schools even during the ancient times. The objectives of education cannot be realized by academic alone. To achieve all round development- physical, mental, emotional, socio-cultural, spiritual- varied outside the school or classroom activities must be incorporated in the curriculum.

Co-curricular activities are an integral part of curriculum which provides educational activities to the students and thereby help in broadening their experience. Co-curricular activities can be defined as the activities that enhance and enrich the regular curriculum during the normal school hours. All co-curricular activities are organized with specific purposes which vary according to the nature and form of such activities. These activities enhance the learning experience of the students and help in recognizing and developing their inner skills such as leadership qualities, creative or innovative skills etc.

The different types of co-curricular activities in school are chosen to develop an overall personality of a student. Selection of the right kind of extracurricular activities at school can polish child's skills and keep him engaged. Co-curricular activities help a student concentrate more in the classroom and teach them valuable life lessons. The importance of extracurricular activities at school has been proven by many types of research. Children should engage in at least two co-curricular activities to utilize their energy completely and explore their talents.

Selection of co-curricular activities should be done keeping in mind that it should not take away from the family time and the child should thoroughly enjoy going to the classes. It is important to take child's vote into consideration while selecting the activities. Create a list of co-curricular activities that child might be good or interested in and then sit down for discussion.

There are different types of Co-curricular activities performed in Schools. Academic related Co-curricular activities include Book clubs, School magazine editor, Poetry recitation, Story-writing, Debates, Organizing exhibitions, Preparing charts. Leisure related Co-curricular activities include Model making, Coin collection, Stamp

collection, Train enthusiast, Museum, Monument excursion and Gardening. Social development related Co-curricular Activities include Scouting and guiding and School council activities. Picnics and excursions related Co-curricular activities include Hiking, Special visits, Trekking, Visiting places of historical and geographical importance. Physical related Co-curricular activities include Outdoor and indoor games, Mass drill, Mass P.T and N.C.C. Cultural Development Related Co-curricular activities include Dance, Music, Folk dance, Folk songs and Fancy-dress competitions. Civic Values related Co-curricular activities include Organizing camps, such as first aid camp, cleanliness week and A celebration of the special day. Arts and Craft Related Co-curricular Activities include Album making, Doll making, Cooking, Photography, Flower decoration, Clay modelling, Collage making, Basket making, Knitting etc.

Co-curricular activities are also very helpful in the study of commerce. Commerce teachers should try to achieve a balanced development of different tasks and abilities of the students by involving them according to their interest in the variety of activities. Students may be taken to different banks, insurance companies and other commercial and industrial establishments. Various office appliances and accounting machines used in an establishment have valuable educative values.

Engaging in extracurricular activities in school is a great way to nurture child's hidden talents. It will also ensure that child is utilizing the time effectively.

### **6.2 OBJECTIVES**

After going through this lesson, you shall be able to:

- explain the meaning of Co-curricular activities,
- delineate the importance of Co-curricular activities, and
- outline the steps in organizing Co-curricular activities.

## 6.3 MEANING OF CO-CURRICLAR ACTIVITIES

The meaning of co-curricular activities revolves around its different feature and characteristics. For the overall development of a child, curriculum is not only the single criteria. The holistic growth as well as to develop the various facets **of personality development** of children; classroom teaching should be supplemented with co-curricular activities. These out of class activities affect all domains of life such as cognitive (intellectual), emotional, social, moral, cultural and aesthetic. Co-curricular activities meaning are more focused upon cognitive aspects thereby help in intellectual development. Competitiveness, excellence, quality achievements, creativeness and enthusiasm are few of the ethics of extra-curricular activities and also strengthen the meaning of co curricular activities in school. These are that activities through which a learner explores ones abilities, develops the strengths and eradicates the shortcoming through informal guidance observation and self assessment.

These activities undertaken to strengthen the classroom learning as well as other activities both inside and outside the classroom to develop the personality of the child.

Non-academic activity in the form of co-curricular one provides support to students to venture into professional fields like fashion, music, painting, art, acting, photography, printing and many more. That's why students need co-curricular activities, which helps in enhancing many skill developments. Importance of co curricular activities have increased manifold in modern life.

According to Mahatma Gandhi, "By education, I mean an all-round drawing out of the best in child and man - body, mind and spirit." All roundness is the theme of modern education which recognizes that when the child comes to the school, he comes for mental, physical, social, spiritual and vocational education and as such he must be educated and nourished in all of them.

According to Oxford Dictionary, "Co curricular activities are defined as the activities that enable to supplement and complement the curricular or main syllabi activities."

According to The International Dictionary of Education (1977), "Activities sponsored or recognized by a school or college which are not part of the academic curriculum but are acknowledged to be an essential part of the life of an educational institution. Co curricular activities include sports, school bands, student newspaper etc. They may also be classed as 'Extracurricular' i.e. activities carried on outside the regular course of study; activities outside the usual duties of a job, as extra class activities".

According to Bhatia (1996), "Co-curricular activities may be defined as the activities undertaken to strengthen the classroom learning as well as other activities both inside and outside the classroom to develop the personality of the child".

According to Mittal (1999), "Various social and other types of activities like literary, dramatic, social services etc. which attracted the attention of the child were considered as extracurricular activities. Extracurricular activities have been renamed by educationists as co curricular, which implies that all these activities are a part of school curriculum".

According to Aggarwal (2000), "Co curricular activities were mainly organized after school hours and so were the extracurricular but they are not an integral part of the activities of the school as its curricular work".

#### • History of Co-curricular Activities

Co-curricular activities are not new to the modern curricular education syllabi. It can be traced into Indian ancient schools, gurukuls, and religious places. All the Indian scriptures like Mahabharata, Ramayana, Ved, Upnishad, etc., mentioned about extracurricular activities. In the ancient times, simple co-curricular activities in school were organized such as wrestling, cooking, singing, playing, magic, etc. In rest parts of the world, co-curricular programmes were common in various ancient civilizations.

In Spartan Civilization (Greece) warfare, heroic activities, archery, creativity and artistic talents were widespread. In Roman Civilization, concrete arts & crafts, and religious ceremonies were given importance. In the dark history of Europe, extra-curricular activities were also the part and parcel of life. During reformation period, such activities got patronage.

Great educational thinkers such as Rousseau, Herbert Spencer, Dewey, all gave much more importance of co-curricular activity in school education. According to them, Co-curricular activities play vital role in student life.

#### Characteristics of Co-curricular Activities

There are many characteristics of co-curricular activities, which directly or indirectly help the classroom teaching of students. Co-curricular activities supplement and complement the entire teaching-learning process and effectively impact student earning outcomes. It strengthens the classroom teaching and helps to clear the concept of topics. Extra-curricular activities give emphasize upon aesthetic as well as spiritual development, which are the essential components of education. It helps in developing features like speech fluency and extempore. Such activities are good platform to excel in acting, singing, speaking, and recitation. Thus, CCA becomes the integral part of school's curriculum and student's life.

#### • Role of Co-curricular Activities in Student life

To realize the all-round development of student, curricula should be amalgamated with co-curricular or extra-curricular activities. Co-curricular activities help in realization of aims and objectives of education. In practical life, students are able to express their ideas freely due to active participation in debate and extempore. Discussion also helps in generating ideas and inculcating values. Games and Sports make them mentally and physically fit and sound. Games make them learn how to perform while losing or wining an event. Sometimes, classroom teaching becomes monotonous and routine. Here, co-curricular activities can bring pleasant and joyous experiences. Thus, co-curricular activity has many advantages in student's life of school, college and university.

### • Scope of Co-curricular Activities in School

Co-curricular activities not only make the students active and energetic but also enable to harness the in-depth potential of students. It enhances knowledge in many domains, which benefits the student as well as the school. Co-curricular activities are good platforms to secure your future both professionally and socially and promote leadership quality. It nurtures student's ability in co-operation, co-ordination, organization and lead you toward leadership. Extra-curricular activities provide exposure to personality and helps in psychological and sociological transformation. Schools channelize the energy of students with the help of extra-curricular activities so that proper realization of student's energy and potential can be ensued.

#### • Need for Co curricular Activities

Co curricular activities are utmost needed to fulfill the aims and objectives of life. In co-curricular activities, students participate in various cultural programmes, which help them in socialization, self-identification and self-assessment. The participation in drama, play enables in developing balanced personality. People get acquainted with culture, customs, and activities of other places due to co-curricular activities such as field trips, tours and excursion. It inculcates the feelings of harmony, thus develop unity and togetherness in the society. In community work, students require to meet with many people and develop the capability of adjustment. Since, in many co-curricular activities, children have to perform in groups, and performing as a team develops the sense of belongingness.

#### • Difference between Curricular and Co-curricular Activities

Curricular is formal in nature while co-curricular activities is informal. Curricula involves classroom teaching, instructional education, examination, evaluation while co-curricular activities encompass singing, dancing, gardening, mass drill, community work, games, etc. Curricula comprises reading books, going through newspapers and journals, on the other hand extra-curricular activities known for telling stories, acting, doing theatrical work, singing, etc. In curricular education, students spent their time in laboratory, workshop, or doing important assignments for class work. But in case of extra-curricular activities, students perform work such as cleaning road & school, gardening, painting, creative art and so on. In curricular mode of education, students formally read about different festivals, ceremonies and celebrations while in co-curricular activities, the children actively participate physically in these functions. However, the vital difference between curricular and co-curricular activities is that the latter helps to supplement and complement the curricular teaching.

Check Your Progress-1		
Note:	a) Answer the questions given below.	
	b) Compare your answers with those given at the end of this lesson.	
(i)	Co-curricular activities can be defined	
(ii)	Co-curricular activities meaning are more focused upon	
	thereby help in	
(iii)	According to, "By education, I mean an all-round drawing out of the best in child and man - body, mind and spirit."	
(iv)	According to Oxford Dictionary, Co-curricular activities are defined as "	
	,,,	
(v)	Co-curricular activities help in	

#### 6.4 IMPORTANCE OF CO-CURRICULAR ACTIVITIES

Education along with co-curricular activities helps in the overall development of personality. Co-curricular Activities furnish many values among students. It depends upon students and teachers how they imbibe these values for the better education and health of students. Students participate in physical activities, which contribute towards physical health, vitality, and endurance of the students. Psychological needs are met by co-curricular activities. Psychological needs such as emotions, self-assertion, sex, and curiosity are trained and groomed by these activities. A large part of theoretical works in discipline like geography, and science can get value added from excursions, tour and nature study. Extra-curricular activities help to inculcate civic and democratic values by participating in self-government and organizing different festivals and ceremonies. Co-curricular activity is also an effective platform to make absorb values like social, aesthetic, cultural, recreational and disciplinary among students.

Co-curricular activities are a great way to get a break from the four-walled environment and move outside the traditional classroom. These activities take place alongside curricular activities, which gives a chance to students to showcase their non-academic skills. Kids are full of energy which adults can't keep up to. Co-curricular activities help them manage their reservoir of energy. But, co-curricular activities are not all play. Co-curricular activities and its importance have been proven by many types of research and is now part of the curriculum of many schools. Co-curricular activities for kids not only help in mental and physical development but also help in raising a well-adjusted individual. These structured activities are a great way to give a much-deserved break to the kids from academic while building on their core skills. Following points summarizes the importance of co-curricular activities:

- (1) Co-curricular activities (CCA) make a horizon for systematic and meaningful learning opportunities and prepare students for future.
- (2) CCA makes pupil active and energetic thereby helps in learning and enable to develop multiple skills to students.
- (3) Co-curricular activities help in holistic development of the personality.
- (4) Co-curricular activity along with formal education helps to channelize the hidden potential of the students and make you a good citizen.
- (5) Domains like social, academic, intellectual, cultural, democratic, civic and aesthetic get enriched after participation in co-curricular activities.
- (6) Students, who are good in sports, also have good academic record.

- (7) Co-curricular activities help in realizing the importance of education and develop the spirit of healthy competition.
- (8) Co-curricular activities support students practically and professionally for a better future.
- (9) CCA enhances students experience, understanding and brings benefits beyond students and parents expectation.
- (10) It is a good source of remaining fit and healthy, and provides you a mental rest.
- (11) Co-curricular activities stimulate playing, acting, singing, recitation, speaking and narrating in students.
- (12) It enables the students to express themselves freely through debates.
- (13) These activities guide students how to organize and present an activity, how to develop skills, how to co-operate and co-ordinate in different situations-all these helps in leadership qualities.
- (14) It provides the avenues of socialization, self-identification and self-assessment when the child comes in contact with organizers, fellow participants, teachers, people outside the school during cultural activity.
- (15) Inculcate the values to respects other's view and feeling.
- (16) It makes students perfect in decision making.
- (17) It develops a sense of belongingness.
- (18) CCA provide motivation for learning.
- (19) CCA develop the values like physical, psychological, Ethical, academic, civic, social, aesthetic, cultural recreational and disciplinary values
- (20) Co-curricular activities teach kids how to manage their time.
- (21) It inculcates values, such as harmony, decisiveness, integrity, honesty, ethics, respect for others, etc.
- (22) It makes them responsible.
- (23) It teaches them to work as a team.
- (24) It also makes them street smart.
- (25) It also builds their self-esteem and confidence.
- (26) It teaches them to be more social and have social relationships.
- (27) As kids go through ups and downs of friendship, they will also learn how to resolve conflicts.

- (28) Research shows that there is a connection between co-curricular activities and academics performance.
- (29) This helps in fighting obesity and maintaining a healthy lifestyle.
- (30) Being good at a particular co-curricular activity opens the chances of being into a good university or getting a scholarship.

### 6.5 STEPS OF ORGANISING CO-CURRICULAR ACTIVITIES

When we think about organising co-curricular activities, the nature of the activity, involvement of students, teachers, parents and community as well as objectives of a particular activity must be thought of. Secondly, we have to remember that it is a joint activity and joint effort of many people. The learning experiences of the students are improved when the organiser of co-curricular activities utilizes the talents and energies of all optimally. A better climate for learning is established and finally, school community relationship is always improved.

## 6.5.1 Organisation of Literary and Cultural Activities

Literary activities are those activities which are related to literature. It includes activities like debate, elocution, recitation, writing articles, organising visits by eminent personalities, study circle, essays, recitation of self-made poem, dramatization (dialogue writing), literature comer, exhibition, news bulletin etc. Literary activities help in language building and in enhancing vocabulary, improve articulation, expression, communication, creative writing skills, independent thinking etc. They also give an opportunity to students to show their hidden talents and develop self-confidence. Thus literary activities help in achieving educational objectives.

Cultural activities are those activities which are based on culture and tradition, e.g. celebration of religious, social and national festivals, folk songs, folk dance, music, drama, dance, painting, picnic, excursion, fancy dress, funfair etc. Cultural activities contribute towards attainment of group feeling i.e. belongingness, which provide an opportunity to show hidden talents. Students learn group responsibilities, express ideas, share ideas, etc. Through celebration of religious festivals or birthday celebrations students learn about culture along with entertainment. They get good exposure to our rich cultural heritage. Feelings and emotions are developed and they get a change from routine life.

For organizing Literary and Cultural Activities, following points need to be considered:

- Students should feel the need for activities and should demand them.
- Activities should be selected keeping in view students' interests. There are a number
  of activities and there are also differences in students' interests and liking. An

activity should be selected in such a way that all students are able to participate i.e. there should be maximum involvement. More and more students should be involved. Activities should be such that all students are able to participate.

- A teacher should help students plan and organise co-curricular activities. The ultimate planning and implementation should be done by students.
- Activities should be organised during school hours but some activities like tours, picnics can be organised on holidays.
- Minute details of activities should be worked out for the success of the programme.
- Activities selected should be economical i.e. they should not place unnecessary financial burden on the school or parents.
- Activities having educational value should be selected. The selected activities should support and enhance classroom learning.
- Activities selected should be such that they provide opportunity to students to learn and also to become self-reliant.
- Activities should not be imposed on students. They have to be selected by students themselves.
- Students should meet and discuss such aspects as the venue, date and resources available.
- Objectives of activities should be made clear.
- Various sub-committees should be formed e.g.(a) Stage committee, (b) Decoration committee, (c) Seating arrangement, (d) Reception committee, (e) Invitation committee, (f) Overall organisation
- Work has to be allotted to various committees depending upon abilities of persons.
- Activities should be supported by teachers, principal, parents, community members and management.
- The rules and regulations regarding activities should be mentioned well in advance to the students.
- The best participants are to be identified.
- Activities should be planned year wise so that they find place in school calendar, and that parents know their dates in advance.

- Expenditure on activities should be borne by the school only. Only in unavoidable circumstances should students be charged.
- Records should be kept of the activities.

In order to make co-curricular activities successful, the school should provide necessary facilities and infrastructure, and a dark room to show T.V. or films. It should provide necessary equipment and allocate proper time for various activities. It should also provide required stationery and provide financial help. Apart from all these, it should reduce the workload of teachers in charge of co-curricular activities.

### Principles Underlying Organisation of Literary and Cultural Activities:

While organizing literary and cultural activities, following principles need to be kept in mind:

- Select activities that are closely related to curriculum. They should be educationally relevant.
- The selected activities should be constructive and should aim at development of higher level objectives, which are not attainable through regular classroom teaching e.g, novelty and originality, writing, skill of recitation of poems, discussion etc.
- Co-curricular activities should have place within school timings so that all can participate.
- As far as possible all students should participate in one or other activity going on in the school.
- The Atmosphere has to be democratic: More suggestions and ideas can be incorporated in democratic atmosphere so nothing is imposed on students.
- Leadership should be proper and careful: Every time the same person should not get a chance to lead. Leadership should be rotational and maximum number of students should get opportunity to conduct an activity.
- Administration and supervision: The responsibility for organising and arranging the programme should be placed on students, while teachers can supervise and facilitate.

- **Regularity:** Co-curricular activities should be organised regularly i.e. they should have a place in school time-table.
- **Advisor:** The teacher should have an advisory role and should not impose his/her will on students.
- Programme should grow from small to large gradually. Initially there may be a few items and a few students but gradually the programme should widen with maximum number of students being involved
- Necessary equipment should be provided well in time to students for practice and organisation.
- A record of each programme should be maintained. Teachers should enter the details in a special co-curricular register.

### 6.5.2 Organisation of Physical Activities

Physical development is a crucial and important aspect of human development. A sound mind rests in a healthy body. Physically, a person has to be fit in order to concentrate on various activities. So physical training has become one of the important aspects of school education,

Physical development activities include mass drill, parade, ACC, NCC, sports, indoor as well as outdoor games. Indoor games include chess, table tennis, badminton, etc. Outdoor games include kabadi, cricket, kho-kho, football, volleyball, hockey, etc.

Physical activities in the form of sports, games and athletics are important not simply because they provide physical exercise, but for a number of other reasons also. They develop qualities of sportsmanship, self-confidence, perserverance, judgement, foresight, judiciousness, fair play etc. Through team games and competitive games, sociability, co-operation, team spirit, spirit of self-sacrifice and attitude of healthy competition develop. In short it can be said that these activities ensure an all-round development of the personality of students.

A playground is said to be the cradle of democracy. Students have lots of energy. This energy is displayed on the playground. For students' proper physical and mental development, sports are a must. On a playground, students become fresh and active. Physical, mental and moral development is possible through sports. They will learn to concentrate on academics, develop good hobbies, get opportunities to exhibit hidden talents and develop control over emotions and aggression.

For physical development, sports and games play an important role e.g. muscles develop, heart and lungs become strong, blood circulation becomes proper. As a result, mental fitness increases.

Sports and games should be properly organised in each school. Activities of the entire year have to be planned out and also term wise charts should be prepared. Games have to be selected, depending upon available resources. The season must be kept in mind while selecting the games. For instance, outdoor games cannot be played in rainy season and or on a very hot day. Activities should not be monotonous. Games should be of various types. Games and sports should be planned according to need, facilities, equipments and finances available. Rules and regulations have to be obeyed.

Teachers should get appropriate representation in sports' committee. They should prepare students for inter-school competitions. They should point out strong points and should also point out where improvement is needed.

It may be emphasized that it is ultimately the responsibility of the headmaster to ensure that adequate facilities for sports and games are available in the school. He/she is also to ensure that each student chooses one or the other game or physical activity and participates in it.

For physical activities in a school, there should be a physical instructor. Students must be assisted by teachers. They should supervise the play activities of students and provide them with necessary guidance.

In short, all students should participate in sports and arrangements for them have to be done. Every student should get an opportunity to play.

### **Principles Underlying Organisation of Physical Activities**

The following principles need to be kept in mind while organizing physical activities:

- Various games and sports have to be selected in such a way that students get chance to play according to their age, abilities and interests.
- Games and sports have to be organised keeping in view the needs of boys and girls.
- Students should be divided into various groups.
- Students have to be encouraged to participate in games and sports in an increasing measure.
- In one week three to four periods can be kept for sports.
- Before and after school, student should get opportunity to play.
- A plan for sports activities should be drawn.

- Teachers should make pupils aware of rules and regulations of sports and games.
- In addition in the playground which are important for sports equally important is need of enthusiastic, energetic, strong, sports teachers.

Every student should be encouraged to participate in one or other game. Some good schools call all the students on the playground in the evening or during school recess. This is good practice. It is necessary that each student learns to play some game. Students should be encouraged to excel in competitive games but this should not become the end for all physical or games activities.

Check Your Progress- 2		
Note:	a) Answer the questions given below.	
	b) Compare your answers with those given at the end of this lesson.	
(i)	Education along with helps in the overall development of personality.	
(ii)	Co-curricular activities help in development of the personality.	
(iii)	Literary activities are those activities which are related to	
(iv)	Cultural activities are those activities which are based on	
(v)	Physical development activities include	

#### 6.6 LET US SUM UP

Best aspect of Co-curricular activities at school is that they are part of academics, and makes teaching and learning experience exciting for both students and teachers. Students through classroom activities like quizzes, debates, recitation and any more academic games learn better. Co-Curricular activities along with academics are essential for every student. Co-curricular activities are the true practical experience received to students. The theoretical knowledge get strengthened when a relevant Co-curricular activity is organized. Extracurricular activities that are available to students on campus should be advertised more to encourage student involvement. Another way students become involved in campus life is through organizations and experiences which promote diversity.

Co-curricular activities give the students a chance to think box and get creative ideas of their own with the help of a guide/facilitator. These activities help the students in developing richer learning experience by giving them a chance to think in new ways to solve a problem or answer a question. These activities also help in developing the grasping poser of students and provide an opportunity to the students to work in teams and this develop team's spirit in them. Students on field trips, excursions, science fairs and science exhibitions sharpen their skills of observation and perception by utilizing all their senses.

Teachers and school administrations have to think seriously and plan for their Cocurricular activities since they undoubtedly benefit the student's academic achievements and they develop the learners' autonomy and effectiveness. Schools should encourage students to participate in extracurricular activities because they help in a great deal.

### 6.7 LESSON END EXERCISE

- 1. What is the meaning of co-curricular activities?
- 2. What is the importance of co-curricular activities?
- 3. What steps are undertaken for organizing the co-curricular activities?

### 6.8 SUGGESTED FURTHER READINGS

Agarwal, J.C. and Gupta, C.D. (2005). *Towards Learning without Burden and Quality of Education- An Evaluation*. New Delhi: Shipra Publications.

Aggarwal, J.C. (1996). *Teaching of Commerce*. New Delhi: Vikas Publication.

Bhalla, N. (2007). Curriculum Development. Delhi: Authorspress.

Doll, R.C. (1996). Curriculum improvement: Decision Making and Process.

Boston: Allyn and Bacon.

Malhotra, M.M. (1985). *Curriculum Evaluation and Renewal*. Manila: CPSC Publication.

Rao, S. (2002). Teaching of Commerce. New Delhi: Anmol Prakashan.

### 6.9 ANSWERS TO CHECK YOUR PROGRESS

### **Answers to Check Your Progress-1**

- (i) as the activities that enhance and enrich the regular curriculum during the normal school hours.
- (ii) cognitive aspects, intellectual development.
- (iii) Mahatma Gandhi
- (iv) "the activities that enable to supplement and complement the curricular or main syllabi activities."
- (v) realization of aims and objectives of education.

#### **Answers to Check Your Progress-2**

- (i) co-curricular activities
- (ii) holistic.
- (iii) literature.
- (iv) culture and tradition.
- (v) mass drill, parade, ACC, NCC, sports, indoor as well as outdoor games.

LESSON NO. 7 UNIT-III

### LESSON PLANNING

### **STRUCTURE**

ion

- 7.2 Objectives
- 7.3 Lesson Planning
  - 7.3.1 Meaning and Definitions of Lesson Planning
  - 7.3.2 Steps Involved in Lesson Plan
- 7.4 Importance of Writing Lesson Plan
- 7.5 Principles of Writing Lesson plan in Teaching of Commerce
- 7.6 Let us Sum up
- 7.7 Lesson End Exercise
- 7.8 Suggested Further Readings
- 7.9 Answers to Check Your Progress

#### 7.1 INTRODUCTION

Theoretical knowledge of teaching concept does not provide any guideline for classroom instructional procedure. Every teacher who intends to teach something has to prepare an outline of his subject or topic in written form or at his cognitive level that is known as lesson planning. Thus, in this lesson, we have discussed about lesson planning, its concept and importance. It is considered as indispensable part of effective teaching process. Ateacher has to apply his theoretical knowledge in planning and administrating his lesson plan. A practical outline of a topic to be taught in a period is called the lesson plan. It is designed during the student teaching or teaching practice.

A lesson plan is a teacher's detailed description of the course of instruction or 'learning trajectory' for a lesson. A daily lesson plan is developed by a teacher to guide class learning. Details may vary depending on the preference of the teacher, subject being covered, and the needs of the students. There may be requirements mandated by the school system regarding the plan. A lesson plan is the teacher's guide for running the particular lesson, and it includes the goal (what the students are supposed to learn), how the goal will be reached (the method, procedure) and a way of measuring how well the goal was reached (test, worksheets, homework etc). Therefore, it is necessary to plan a lesson cautiously by following certain principles and maxims. Thus, we have also conversed here about principles of writing Lesson plan in teaching of commerce.

#### 7.2 OBJECTIVES

After going through this lesson, you shall be able to:

- define the meaning of lesson planning,
- explain the needs & Importance of lesson planning,
- enumerate the steps involved in lesson planning,
- elaborate the aim/objectives of the lesson plan, and
- delineate the principles of writing lesson plans in teaching of commerce.

#### 7.3 LESSON PLANNING

Planning for instruction is a part of a teacher day-to-day activity for teaching. Lesson plans, specify the learning objectives, content, methods, materials/equipment, application, and evaluation for each lesson that is taught. Such planning prepares a teacher to teach and is invaluable to substitute teachers who will need to know what and how to teach. Lesson plans serve several purposes. For beginning teachers, in particular, they provide the day-to-day planning of a course. Such plans can easily be modified in subsequent years of teaching a program. Lesson plans can be evidence of good sound planning and preparation and provide detailed information about teaching performance and level of expertise. Even after the lesson is taught, administrators and teachers them selves can analyze and reflect on instructional methodology. They can also provide useful information for school administration. Ideally, instructors will use formal plans such as lesson plans, which usually include the four step method for teaching to a specific outcome or objective: preparation of the student, presentation(procedure), application, and evaluation.

Every teacher is required to prepare a lesson plan because this is considered as guide for the day's lessons. Lesson planning is important because it gives the teacher a concrete direction of what she/he wants to take up for the day.

According to G.H. Green, the teacher who has planned his/her lesson wisely, related to topic and to his/her classroom without any anxiety is ready to embark with confidence upon a job and understands & prepared to carry it to a workable conclusions. Research has shown that student learning is correlated to teacher planning. One major explanation is that when plan is ready, teachers can focus on its implementation. When teachers do not have to think so much about what they need to do next they are able to focus on other parts of the lesson.

A proper planning of the lesson is the key to effective teaching. The teacher must know in advance the subject matter and the mode of its delivery in the classroom This gives the teacher an idea of how to develop the key concepts and how to correlate them to real-life situation and how to conclude the lesson. Lesson planning is also essential because effective learning takes place only if the subject matter is presented in an integrated and correlated manner and is related to the pupil's environment. Though, lesson planning requires hard work and is rewarding too. It conceives a lesson as 'Plan of Action' implemented by the teacher in the classroom. Lesson planning is important because it helps teachers ensure that the day-to-day activities that go on in their classrooms are providing students with an adequate level of long –term progress toward the goals outlined in their scope and sequence, as well as their individual education plans when necessary. An effective lesson plan includes several elements: learning objectives, quality questions, supplies and activities. It is important to have the learning objectives in mind because those should drive the development and implementation of all activities in the classroom. Quality questions are inquiries that the teacher plans to direct at the students over the course of the lesson. Sometimes these questions are rhetoric in nature, but more often they are designed to help the student think at a higher level than simple memorization and comprehension. It is important to come up with a plan for assessment to determine whether the class has met its targets.

Lesson planning is a complex yet essential part of the teaching process that changes over time as teachers gain more hands-on experience.

### 7.3.1 Meaning and Definitions of Lesson Planning

Teaching is a purposeful activity. It has been repeatedly emphasized that good and effective teaching stimulates the learner to think and motivates them to learn further. The teacher is to create learning situations and organize them in such a way that the child feels the inner urge to know, to think and to do. It is not as simple as it seems. But just as in all other spheres of human activity, planning and scheming it out makes even difficult task easier. Therefore, for successful and effective teaching, planning is the first and most important step. For the effective classroom instruction intelligent lesson planning and creativity of a teacher are the key stones. Lesson plan is;

- A blueprint which helps us in the efficient, economical and smooth conduct of teaching learning activity.
- It is a document by which the teacher makes a large number of decisions that are to be executed in the classroom before entering the class room with sound rationale and pedagogical base. Lesson plan progressively provides scope to better decision making process.

In the planning and execution of the lesson plan, a teacher has to apply the theoretical knowledge of education, teaching and instruction. He has to follow the accepted principles of education and maxims of teaching and take help of various devices, technology and teaching aids, multimedia and make the teaching-learning process interesting, successful and effective. Every teacher who intends to teach has to prepare an outline of his topic and make a note in written form. At cognitive level, the written form of outline of the topic is known as lesson plan and the process of preparing it is called less on planning.

Teacher should know very clearly, what to teach and how to teach. He should have a clear aim of the subject matter before him with knowledge of social and physical environment of the pupil. He should also know, how he should introduce, present the lesson and the aids to be used. He should also know how to evaluate his lesson in the light of the objectives specified. A practical outline of the topic to be taught in a period with above mentioned considerations is called the lesson plan. It is designed during student-teaching or teaching practice, more rigorously. Lesson plan has originated from Gestalt psychology. The Gestalt theory of learning has a great influence on human learning. In the school the whole is perceived by a part.

A lesson plan outlines in detail the various steps which the teacher proposes to undertake in the class. As such, a lesson plan concerns itself with the teaching of one period. Planning for a lesson means identification of the sequence and style of presentation and evaluation procedure to be adopted for classroom teaching of a lesson. Hence it is a proposition in advance which establishes a linkage between the why, what and how of teaching in one period. While attempting to do this the teacher may foresee likely problems in classroom communication and may arrange certain material and decide about techniques to be adopted to ensure a smooth and effective teaching. Thus, a lesson plan is a means of taking advance decisions about selection, sequencing and execution of various activities to be performed in a classroom with a view to ensuring learning of children.

**B.F. Skinner** has provided a recent approach to a unit plan. The focus of his unit plan is the modification of behaviour. His major assumption about learning is that the student learns better if the content is provided in small units. The unit-plan is the crucial aspect of a lesson plan.

Teaching is organized in three phases: pre-active, interactive and post-active. All the activities of a teacher and his planning done prior of the timings of his class are called pre-active. Lesson planning is the pre-active phase of teaching.

**N.L. Bossing** has given a comprehensive definition of lesson plan. "Lesson plan is the title given to a statement of the achievement to be realized and the specific meaning by which these are to be attained as a result of the activities engaged during the period."

Milkova (2012) said, "A lesson plan is the instructor's road map of what students need to learn and how it will be done effectively during the class time."

**Binning and Bining** have explained the structure and purpose of lesson planning in their definition. "All lesson planning involves defining the objectives, selecting and arranging the subject-matter and determining the method and procedure."

**I.K. Davies** has given four steps for management of learning, planning, organizing, leading and controlling. He has also given the greater importance of lesson planning in the first step of planning of teaching. He has defined in the following manner. "Lessons must be prepared for there is nothing so fatal to a teacher's progress than un-preparedness.

**Ryburn** considers that a teacher gains experience about his classroom work, through lesson planning so that he is able to perform his tasks successfully in his teaching. He has defined the concept in brief. "To teach we must use experience already gained as starting point of our work."

**James Michael Lee** described "A lesson plan is an organized statement of general and specific educational goals together with the specific means by which these goals are to attained by the learners under the guidance of the teacher on a given day."

# 

### 7.3.2 Steps Involved in Lesson Plan

Lesson plan is the instructor's road map of what students need to learn and how it will be done effectively during the class time. Before you plan your lesson, you will first need to identify the learning objectives for the class meeting. Then, you can design appropriate learning activities and develop strategies to obtain feedback on student learning. A successful lesson plan addresses and integrates these three key components:

- i) Objectives for student learning
- ii) Teaching/learning activities
- iii) Strategies to check student understanding

Specifying concrete objectives for student learning will help you determine the kinds of teaching and learning activities you will use in class, while those activities will define how you will check whether the learning objectives have been accomplished

Below are six steps to guide you when you create your first lesson plans. Each step is accompanied by a set of questions meant to prompt reflection and aid you in designing your teaching and learning activities.

### i) Outline learning objectives

The first step is to determine what you want students to learn and be able to do at the end of class. To help you specify your objectives for student learning, answer the following questions:

- a. What is the topic of the lesson?
- b. What do I want students to learn?
- c. What do I want them to understand and be able to do at the end of class?
- d. What do I want them to take away from this particular lesson?

Once you outline the learning objectives for the class meeting, rank them in terms of their importance. This step will prepare you for managing class time and accomplishing the more important learning objectives in case you are pressed for time. Consider the following questions:

- e. What are the most important concepts, ideas, or skills I want students to be able to grasp and apply?
- f. Why are they important?
- g. If I ran out of time, which ones could not be omitted?
- h. And conversely, which ones could I skip if pressed for time?

### (ii) Develop the introduction

Now that you have your learning objectives in order of their importance, design the specific activities you will use to get students to understand and apply what they have learned. Because you will have a diverse body of students with different academic and personal experiences, they may already be familiar with the topic. That is why you might start with a question or activity to gauge students' knowledge of the subject or possibly, their preconceived notions about it. For example, you can take a simple poll: "How many of you have heard of X? Raise your hand if you have." You can also gather background information from your students prior to class by sending students an electronic survey or asking them to write comments on index cards. This additional information can help shape your introduction, learning activities, etc. When you have an idea of the students' familiarity with the topic, you will also have a sense of what to focus on.

Develop a creative introduction to the topic to stimulate interest and encourage thinking. You can use a variety of approaches to engage students (e.g., personal anecdote, historical event, thought-provoking dilemma, real-world example, short video clip, practical application, probing question, etc.). Consider the following questions when planning your introduction:

- a. How will I check whether students know anything about the topic or have any preconceived notions about it?
- b. What are some commonly held ideas (or possibly misconceptions) about this topic that students might be familiar with or might espouse?
- c. What will I do to introduce the topic?

### (iii) Plan the specific learning activities (the main body of the lesson)

Prepare several different ways of explaining the material (real-life examples, analogies, visuals, etc.) to catch the attention of more students and appeal to different learning styles. As you plan your examples and activities, estimate how much time you will spend on each. Build in time for extended explanation or discussion, but also be prepared to move on quickly to different applications or problems, and to identify strategies that check for understanding. These questions would help you design the learning activities you will use:

- a. What will I do to explain the topic?
- b. What will I do to illustrate the topic in a different way?
- c. How can I engage students in the topic?
- d. What are some relevant real-life examples, analogies, or situations that can help students understand the topic?
- e. What will students need to do to help them understand the topic better?

### (iv) Plan to check for understanding

Now that you have explained the topic and illustrated it with different examples, you need to check for student understanding – how will you know that students are learning? Think about specific questions you can ask students in order to check for understanding, write them down, and then paraphrase them so that you are prepared to ask the questions in different ways. Try to predict the answers your questions will generate. Decide on whether you want students to respond orally or in writing. You can also ask yourself these questions:

- a. What questions will I ask students to check for understanding?
- b. What will I have students do to demonstrate that they are following?
- c. Going back to my list of learning objectives, what activity can I have students do to check whether each of those has been accomplished?

An important strategy that will also help you with time management is to anticipate students' questions. When planning your lesson, decide what kinds of questions will be productive for discussion and what questions might sidetrack the class. Think about and decide on the balance between covering content (accomplishing your learning objectives) and ensuring that students understand.

### (v) Develop a conclusion and a preview

Go over the material covered in class by summarizing the main points of the lesson. You can do this in a number of ways: you can state the main points yourself ("Today we talked about..."), you can ask a student to help you summarize them, or you can even ask all students to write down on a piece of paper what they think were the main points of the lesson. You can review the students' answers to gauge their understanding of the topic and then explain anything unclear the following class. Conclude the lesson not only by summarizing the main points, but also by previewing the next lesson. How does the topic relate to the one that's coming? This preview will spur students' interest and help them connect the different ideas within a larger context.

#### (vi) Create a realistic timeline

How easy it is to run out of time and not cover all of the many points they had planned to cover. A list of ten learning objectives is not realistic, so narrow down your list to the two or three key concepts, ideas, or skills you want students to learn. Instructors also agree that they often need to adjust their lesson plan during class depending on what the students need. Your list of prioritized learning objectives will help you make decisions on the spot and adjust your lesson plan as needed. Having additional examples or alternative activities will also allow you to be flexible. A realistic timeline will reflect your flexibility and readiness to adapt to the specific classroom environment. Here are some strategies for creating a realistic timeline:

- a. Estimate how much time each of the activities will take, then plan some extra time for each
- b. When you prepare your lesson plan, next to each activity indicate how much time you expect it will take
- c. Plan a few minutes at the end of class to answer any remaining questions and to sum up key points
- d. Plan an extra activity or discussion question in case you have time left
- e. Be flexible be ready to adjust your lesson plan to students' needs and focus on what seems to be more productive rather than sticking to your original plan

### (vii) Presenting the lesson plan

Letting your students know what they will be learning and doing in class will help keep them more engaged and on track. You can share your lesson plan by writing a brief agenda on the board or telling students explicitly what they will be learning and doing in class. You can outline on the board or on a handout the learning objectives for the class. Providing a meaningful organization of the class time can help students not only remember better, but also follow your presentation and understand the rationale behind in-class activities. Having a clearly visible agenda (e.g., on the board) will also help you and students stay on track.

### (viii) Reflecting on your lesson plan

A lesson plan may not work as well as you had expected due to a number of extraneous circumstances. You should not get discouraged – it happens to even the most experienced teachers! Take a few minutes after each class to reflect on what worked well and why, and what you could have done differently. Identifying successful and less successful

organization of class time and activities would make it easier to adjust to the contingencies of the classroom. For additional feedback on planning and managing class time, you can use the following resources: student feedback, peer observation, viewing a videotape of your teaching, and consultation with a staff member.

#### Conclusion

To be effective, the lesson plan does not have to be an exhaustive document that describes each and every possible classroom scenario. Nor does it have to anticipate each and every student's response or question. Instead, it should provide you with a general outline of your teaching goals, learning objectives, and means to accomplish them. It is a reminder of what you want to do and how you want to do it. A productive lesson is not one in which everything goes exactly as planned, but one in which both students and instructor learn from each other.

### 7.4 IMPORTANCE OF WRITING LESSON PLANS

Lesson planning is at the heart of being an effective teacher. It is a creative process that allows us to synthesize our understanding of second language acquisition and language teaching pedagogy with our knowledge of our learners, the curriculum, and the teaching context. It is a time when we envision the learning we want to occur and analyze how all the pieces of the learning experience should fit together to make that vision a classroom reality. The lesson note indicates the general lines which a teacher will follows and the section into which he is going to divide the work according to the time schedule sat his disposal. A lesson note is a full version of what teacher is going to do in the particular period and mirrors what he hopes to achieve and how of it proceeds. It indicates the class for which lesson is meant, the previous knowledge upon which the topic of lesson is based; the content and length of the lesson, the teaching aids to be used in the lesson and other devices to be applied. There are a number of benefits to writing a lesson plan. The description of all is given below:

- (i) Guidelines to the teacher
- (ii) Delimit teacher's field work
- (iii) Immediate impetus
- (iv) Saves the time and energy
- (v) Central document
- (vi) Maintaining the sequences of content:
- (vii) Psychological teaching

- (viii) Relate teacher activity with learning structure
- (ix) Instruction material
- (x) Control pupils' behaviour
- (xi) Individual difference:
- (xii) Confidence development
- (xiii) Teachers' effectiveness
- (xiv) Development of power
- (xv) Estimation of performance
- (xvi) Motivation for teacher and pupil
- (xvii) Base for future planning

### (i) Guidelines to the teacher

Lesson plan provides guidelines to the teacher to proceed systematically in the classroom teaching. It provides a structure for an essential learning and classify learning outcomes in the classroom. It provides a general outline to teaching goals, learning objectives, and means to accomplish them, and is by no means exhaustive.

### (ii) Delimit Teacher's field work

It delimits the teacher's field of work and thus enables him to define his aims and objectives more clearly. Lesson planning can help the teacher to be well prepared and be aware of what he/she intends on teaching the students.

### (iii) Immediate impetus

In a lesson plan, the subject matter becomes limited. This enables the teacher to give up irrelevant things. He only remembers definite and limited matter and its presentation before the pupils become easy. The pupils also receive the knowledge in a systematic and organized way. Thus, it provides the teacher an immediate impetus to realize the aims and objectives set and to perform his activities in the direction to achieve the objectives.

### (iv) Saves the time and energy

It can also help the teacher to focus more on the basic knowledge first then take the students towards the next step. The teacher will never stammer or mumble during the lecture because of the timely preparation of the lesson. Further, it serves as a check on the possible wastage of time and energy of both, the teachers and the children in haphazard teaching and learning. Thus, it makes teaching-learning a systematic, orderly and economical process.

### (v) **Central Document**

Lesson plan can be used by substitute teachers, ensuring that time is usedproductively, when the main teacher is not around. It can also serve as a central document for handing over to new teachers who are teaching the level for the first time. In addition, lesson plans, along with other materials, can also be used to support annual performance evaluation. Teachers applying for new job can also submit samples of their lesson plans to show their content understanding and organizational skills.

### (vi) Maintaining the sequences of content

It helps in maintaining the sequences of content presentation, thus, prevents the teacher to deviate from the topic and give insight to develop teaching learning process in best possible manners.

### (vii) Psychological teaching

The teacher uses proper teaching strategies, techniques and instruments keeping in mind the interests, aptitudes, needs, capacities and abilities of the pupils for teaching them when the lesson plans are prepared. This makes the teaching more psychological.

### (viii) Relate teacher activity with learning structure

It helps in relating the teaching activities to the learning structures. It helps teachers to learn to foreseen and tackle learning difficulties of children.

### (ix) Instruction material

It helps in determining the suitable techniques, strategies, tactics and appropriate use of teaching aids in the presentation of the content before the actual teaching.

### (x) Control pupils' behaviour

It helps to identify suitable place of reinforcing and controlling the student's behaviour during the teaching.

#### (xi) Individual difference

Lesson planning can minimise this understanding gap if the teacher plans the lesson effectively. This can be done by taking the first step that is, start teaching from the core so that nobody is left behind and that every student is on the same page and then the teacher moves ahead with the topic. In lesson planning the classroom teaching activities are determined with the consideration of individual differences.

#### (xii) Confidence development

It develops confidence in the pupil-teacher to perform the classroom teaching activities satisfactorily. As, they constantly update themselves with best practices that work, and how to teach more effectively. Thus, students also feel that the lessons are sequenced properly. A confident teacher acquire respect from students, which in turn reduces discipline problems and helping the learners to feel more relaxed and open to learning.

#### (xiii) Teachers' effectiveness

The effectiveness of a teacher depends on a good lesson plan. Planning detailed lessons will avoid problems in class. This will give the teacher confidence that they have done their best to plan for any eventuality, or at least minimize some problems.

#### (xiv) **Development of power**

The lesson planning develops in the pupil teachers the power of reasoning, decision making and imagination. In an ideal lesson plan, development and thought provoking questions should be asked. Also there should be an effort to stretch the teaching from memory level to reflective level.

#### (xv) Estimation of performance

A lesson plan can help the teachers to estimate their performances by comparing their actual or real time class teaching and expected performance. With this way, pupil teacher can identified their weaknesses and strive hard to get rid of them.

#### (xvi) **Motivation For teacher and Pupil:**

Lesson plan have the general overview of the aims and objectives of the course, the plan of teaching and learning activities of the course and the activities planned to check the students' understanding. The driving force behind lesson planning is the motivation for the teacher and hunger to learn more by students is what keeps a teacher going.

#### (xvii) Base for Future Planning

Lesson plans serve as a useful basis for future planning. They can be used again, in part or in whole, for future classes. Lesson planning for subsequent years can be drawn from and modified from current planning. The extra effort put in by first year teachers to plan and organize the entire year's lesson plans and resources will go a long way for subsequent years teaching the same level.

#### **Check Your Progress-2**

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

#### Write in bracket T for true statements and F for False statements

- i. A lesson plan can help the teachers to estimate their performances by comparing their actual or real time class teaching and expected performance ( )
- ii. Lesson plan have the general overview of the aims and objectives of the course ()
- iii. A confident teacher acquires respect from students which in turn reduces discipline ( )
- iv. Lesson planning for subsequent years can be drawn from and modified from current planning ()
- v. Lesson planning is a time consuming process ()

# 7.5 PRINCIPLES OF WRITINGALESSON PLAN IN TEACHING OF COMMERCE

Commerce, as a teaching subject, possesses various values such as, intellectual values, utilitarian values, cultural values, moral values, and aesthetic values. Considering the subject from this point of view, commerce is the most in exhaustible storehouse of knowledge. It is a subject use all methods of teaching effectively such as, lectures, discussions, role playing, seminars, project method field trip, supervised as well as independent study. It is that area of education which develops skills attitudes and understanding essentials for the successful directions of business relationship. Therefore, it is important to plan a lesson before teaching commerce in the classroom. Lesson planning is a thinking process, not the filling in of a lesson plan template. Lesson plan envisaged a blue print, guide map for action, a comprehensive chart of classroom teaching learning activities. Hence, lesson planning is an indispensable component of teaching-learning process. Lesson Plan is an organised, structured and sequential framework meant to empower the teacher. It provides helpful guidelines for the teacher to get the best outcome

from her students. To make ones teaching successful and effectives a teacher plans the lesson, prepares it and puts down his plan in the form of lesson note. In the planning and execution of the lesson plan, a teacher has to apply the theoretical knowledge of education, teaching and instruction. He has to follow the accepted principles of education and maxims of teaching and take help of various devices, technology and teaching aids, multimedia and make the teaching-learning process interesting, successful and effective. Effective teaching is nothing but helping students to learn and for this teacher has to foster a good learning atmosphere. This can be done if the teacher is ready with a flexible teaching plan in mind, is positive towards learners, and is confident. In this process of lesson planning, the following principles are to be followed:

#### (i) General Overview

A lesson plan does not necessarily have to be a detailed script that contains the plan of every interaction with students in the classroom. It should preferably have the general overview of the aims and objectives of the course. The plan of teaching and learning activities of the course and the activities planned to check the students' understanding. The driving force behind commerce lesson planning is the motivation for the commerce teachers' and hunger to learn more by students is what keeps a teacher going.

#### (ii) Objective based

The lesson plan must be based on one or the other objective. While writing this, objectives should be written and defined clearly. The teacher must clearly set the objectives of his or her lesson. Objectives should be precise, achievable and clearly written keeping in mind the skills that students will gain at the end of the lesson. Learning objectives give direction to the lesson plan and mention the outcomes to look for. These help the teacher to evaluate whether the desired objectives have been achieved at the end of the lesson or not. General objective or the aim of the lesson gives the insight of the topic; broader goals that need to be achieved; subject or theme to be covered while specific objective precisely mentions the measurable outcomes (knowledge and skills) to be achieved by the students after the lesson is conducted.

This enabled the teacher to be clear about general as well as specific objectives of each topic/concepts and help the teacher in selecting the appropriate approach and method of teaching according to the content. So for teaching commerce effectively teacher has to be write objectives carefully.

#### (iii) Instructional Aids

Instructional aids are tools of teaching. These are an integral part of any lesson plan. These can be in the form of pictures, flash cards, videos, animations, art material, apparatus for an experiment, abacus, manipulative and even real life objects around us. Commerce is such a subject where a teacher can use all the methods effectively such as lecture, discussion, role playing, seminar, supervised as well as independent study, project method, field trip, etc. Moreover in today's world of internet many puzzles, activities, presentations etc. pertaining to commerce subjects are available online to help the teachers. In teaching of commerce instructional aids depend on the subject, topic and the activity being conducted in the classroom. These should be carefully and appropriately chosen. The key lies in using them effectively. Also, these must be procured ahead of time by the teacher. This saves a lot of time and the lesson goes on smoothly. Using instructional aids or resources can inculcate a feeling of enthusiasm and arouse curiosity (for the end result) among the students making the teaching – learning process more interesting and fruitful as these catch the attention of the students almost immediately. Hence, while preparing lesson plan in the teaching of commerce teacher has to decide about appropriate instructional method.

#### (iv) Based previous knowledge

An ideal lesson plan should be based on the previous knowledge of the pupils.

Previous knowledge of the students is an important pre requisite while writing a lesson plan. It lays the foundation of a successful lesson. In the absence of previous knowledge, the lesson can fall flat with fruitless outcome. Commerce teacher should be well aware of what students must already know. Previous knowledge may or may not be the same for all the students. So, the teacher must spend some time in assessing the same so that she can take the lesson forward from there on. This can be done by conducting an activity or a questionnaire. For this she can ask relevant questions. The questions should be clear and easy to understand. Once the teacher is clear with what the students already know, it's time to move on. This will also avoid difficulty in acquiring new knowledge by the pupils.

#### (v) Division of lesson plan in units

Lessons are of three types (a) knowledge lesson (b) skill lesson (c) appreciation lesson. In an ideal lesson plan for teaching of commerce, all the relevant steps of these three types of lesson plan should be determined. Each lesson should be divided into suitable units so that the pupils may understand the lesson gradually.

#### (vi) Simplicity of activities

In an ideal lesson plan, the simplicity of the lesson plan and clarity of thoughts

should be according to the mental level of the pupils. While preparing lesson plan teacher should also remember the maxims of teachings i.e. proceed from simple to complex, from concrete to the abstract, from particular to general, from analysis to synthesis, from empirical to rational, from psychological to logical, from the indefinite to definite. These maxims of teaching are very important for preparing lesson plan especially for commerce because this subject is taught at higher secondary level where we have grownup students and they must have foundation knowledge.

#### (vii) Determination of activities

In an ideal lesson plan, the activities of a teacher and the pupils should be determined before-hand. Methodology is a step by step laid procedure of conducting the lesson in the classroom. It involves a warm up activity, list of questions that need to be asked, main activity, closure of the lesson etc. Teacher must ensure that the language used by her is simple and the instructions clear and easy to follow. Also, the activities chosen should be engaging and interesting.

#### (viii) Home work

There should a provision of home work in an ideal lesson plan. This will enable the pupils to learn the appreciation of the acquired knowledge.

#### (ix) Self-evaluation

Commerce is a practical subject as well as related to real life, so for preparing lesson plan for teaching it effectively we should focus on activities that encourages students' participation. For increasing students participation, teacher should frame questions in the plan and also answer questions in a meaningful way. Further, pupil teacher can plan inter active activities which show approval for students' ideas and also incorporate student's ideas into lessons. A good lesson plan must have a suitable plan for self-criticism. The teacher should put some questions to him and find out the answer and there by judge the effectiveness of the lesson writing.

#### (x) Use of illustration

Commerce is such a subject which is related to current situations, therefore a commerce teacher should keep himself up-to-date, so while preparing lesson plan he/she must entered current developments and relate the subjects to current events and other fields. At the same time he should provide insights or knowledge

beyond the text. Furthermore, examples should be used which have relevance with the daily life of the peoples.

#### (xi) Use of blackboard

The blackboard summary of each and every unit should be written on the blackboard. At eacher can also include the usage of mnemonic aids for memorizing complicated ideas. At the same time a teacher should define unfamiliar terms and he should write key terms on the blackboard.

#### (xii) Closure

Closure of the lesson is an extremely important part of lesson plan. It is like a recapitulation of all that is done in the lesson. So, all the points should be put together or summed up. It clarifies the topic that was taught and summarises the main points. In an ideal lesson plan of lesson there should be surely summarisation of the main points of the topic taught. It's during this time when the teacher can introspect if the desired objectives have been met or not.

#### (xiii) Evaluation

Evaluating a lesson is as well very important. Evaluation is the assessment which gives a teacher the insight of student's learning process. It is a way of measuring how much the students have grasped and whether the learning objectives have been met or not. It can be in the form of formative or summative assessments. Formative assessment is a quick assessment carried out along with the going on lesson while summative assessment is carried at the end of the lesson. These assessments should be planned and made well in advance.

# 

#### 7.6 LET US SUM UP

In this lesson, we have discussed about Lesson planning. A lesson plan is the teacher's guide for running the particular lesson, and it includes the goal (what the students are supposed to learn), how the goal will be reached (the method, procedure) and a way of measuring how well the goal was reached (test, worksheets, homework etc). A lesson plan outlines in detail the various steps which the teacher proposes to undertake in the class. As such, a lesson plan concerns itself with the teaching of one period. It is a creative process that allows the teacher to synthesize their understanding of the content and gives them the opportunity to think deliberately about their choice of lesson objectives, the types of activities that will meet these objectives, the sequence of those activities, the materials needed, how long each activity might take, and how students should be grouped. Further, we come to know about principles of writing a lesson plan in teaching of commerce. A teacher should apply the theoretical knowledge of education, teaching and instruction. He has to follow the accepted principles of education and maxims of teaching and take help of various devices, technology and teaching aids, multimedia and make the teaching-learning process interesting, successful and effective.

#### 7.7 LESSON END EXERCISE

#### Long answers type questions

- Q1. Explain meaning and features of Lesson planning?
- Q2. Explain the importance of lesson planning?
- Q3. What are the principles of writing a lesson plan in a teaching of commerce?
- Q4. "Lesson plan is a blueprint which helps us in the efficient, economical and smooth conduct of teaching learning activity." Justify

#### 7.8 SUGGESTED FURTHER READINGS

Aggarwal, J. C. (2008). *Teaching of Commerce: A Practical Approach*. New Delhi: Vikas Publishing House Pvt. Ltd.

John, P. D. (2006). Lesson planning and the student teacher: Re-thinking the dominant model. *Journal of Curriculum Studies*, *38*(4), 483-498.

Kaur, M. (2010). *English Lesson Plan* (IGNOU help book for English lesson plan in English)

Lesson Plan Steps (Herbartian Approach). Retrieved from http:// freenaleen.blogspot.in/2013/12/lesson-plan-steps-herbartian-approach.html

#### 7.9 ANSWERS TO CHECK YOUR PROGRESS

#### **Answers to Check Your Progress - 1**

- i. Direction to what teach in the class
- ii. Lesson plan
- iii. Gestalt Psychology
- iv. Sequencing.
- v. Blue print
- vi. Interactive
- vii. unit-plan

# **Answers to Check Your Progress-2**

- i. T
- ii. T
- iii. F
- iv. T
- v. F

# **Answers to Check Your Progress-3**

- i) Foresees
- ii) Lesson notes
- iii) Appreciation
- iv) Individual differences
- v) Previous knowledge
- vi) Questions

LESSON NO. 8 UNIT-III

#### STEPS OR APPROACHES TO LESSON PLANNING

#### **STRUCTURE**

8.1	[ntroc	luction

- 8.2 Objectives
- 8.3 Herbartian Approach to Lesson Planning
  - 8.3.1 Practical Outline of Herbartian Approach of Lesson Planning
  - 8.3.2 Advantages of Herbartian Lesson Plan
  - 8.3.3 Limitations of Herbartian Lesson Plan
- 8.4 RCEM Approach to Lesson Planning
  - 8.4.1 Merits of RCEM Approach
  - 8.4.2 Demerits of RCEM Approach
- 8.5 Let Us Sum up
- 8.6 Lesson End Exercise
- 8.7 Suggested Further Readings
- 8.8 Answers to Check Your Progress

#### 8.1 INTRODUCTION

There are various former of lesson-plans. The paradigm of lesson-plans differs from country to country. The American approach, British approach and Indian approach are generally applied in developing the lesson-plans. In British approach, emphasis is given to the teacher's activities and presentation of content in the lesson planning. The teacher has to play major role in teaching-learning process. He has to plan, organize and control the student's activities.

Here stress is given on student testing. The Britisher's believe in slow change. After 1970, new innovations and new practice have been introduced in the field of education. In American approach, emphasis is given to the stress and project based lesson planning. The Indian approach of lesson planning has the influence of both the approaches, American and British. So, the learning objectives, teacher-activities, students-activities and evaluation of students are crucial aspects of Indian approach to lesson planning. There are various forms of written lesson plan in our country and abroad but following three forms are most popular and commonly used:

- 1. Herbartian approach to lesson planning
- 2. Bloom's approach or evaluation approach to lesson planning
- 3. RCEM approach to lesson planning

#### 8.2 OBJECTIVES

After going through this lesson, you shall be able to:

- explain the Herbartian approach of lesson planning,
- outline the practical approach Herbartian lesson planning,
- demarcate the advantages and limitations of Herbartian lesson planning,
- explicate RCEM approach of lesson planning, and
- elucidate merits and demerits of RCEM approach,

#### 8.3 HERBARTIAN APPROACH TO LESSON PLANNING

Lesson planning is an ancient concept. So, in earlier periods attempts have been made to formulate a general procedure for the conduct of various types of lessons. The credit of significant contribution in this field is given to "Herbart". John Fredrik Herbart (1776-1841 AD), a German philosopher and great educationist evolved the most famous procedure known as the 'Herbartain Formal Steps' which is also known Herbartian five steps approach.

In most of teacher's training institutions the Herbartian five steps approach of lesson planning is used. These are called formula steps, because these deal with the content of lesson. Initially there were four steps as given by Herbart. But later on his followers divided the activities of a teaching unit into five steps.

Herbartian approach is theoretically based on apperceptive mass theory of learning. According to this theory, the child receives or learns the new knowledge easily if it is connected with the knowledge learnt previously by him. This approach is widely used in

teaching of various school subjects. Based upon Educational psychology Herbart's educational ideology advocated the following four elements for a successful teaching and offered steps of teaching approach.

#### (i) Elements of Successful teaching

- a) Interest. The teaching process should be interesting. When the interest of pupils is crated in some subject, their attention is attracted towards it. They acquire the new knowledge very easily.
- Apperception. The entire knowledge is provided to the pupils from outside. Apperception of this external knowledge occurs in the unconscious mind of the pupils. By relating new knowledge to the previous knowledge of the pupils, their learning is simplified. Hence, in order to make the learning process effective, the teacher should move from known to unknown.
- **c) General Method**. Learning activity occurs in a definite sequence. Hence, the activities of the unit should be edited in a definite sequence and in a logical order.
- **Correlation**. Knowledge is one unit. All the subjects should be studied after correlating each other in the form of one unit. All the subject of the curriculum should be taught by correlating them with History.

### (ii) Steps of Teaching Approach

- a) Clarity. The teacher should present the subject-matter with clarity. The subject-matter to be taught is broken into various facts so that pupils pay attention to each fact or element.
- **Association**. The new knowledge of the pupils is related to their previous knowledge.
- **System.** New knowledge or thought should be organized in sequence on the basis of logic. The specific are separated from the generals which may enable the pupils to view the mutual relations between various fact or elements so that they may gain the knowledge of 'whole'.
- **d)** Method. The pupils apply the gained knowledge to the new situations

According to Herbart, there are eight lesson plan phases that are designed to provide "many opportunities for teachers to recognize and correct students' misconceptions while extending understanding for future lessons." These phases are: Introduction, Foundation, Brain Activation, Body of New Information, Clarification, Practice and Review, Independent Practice, and Closure.

- (i) Preparation/Introduction/Motivation
- (ii) Presentation
- (iii) Association or comparison
- (iv) Generalization
- (v) Application
- (vi) Recapitalization

#### (i) Preparation/Introduction/Motivation

This step is concerned with the task of preparing the students for receiving new knowledge. In preparation, nothing new is taught to students. Relevant to the topic in hand the teacher should make himself sure of what the pupils already know, by putting a few questions, based on the pupils previous knowledge. In general, with the help of this step, the teacher can check the students entering behaviour before he starts teaching the lesson. Thus, testing previous knowledge, developing interest in the minds of students and maintaining curiosity of the students can be achieved with the help of this step.

- a) The following activities involved in this step:
- b) The assumption about the previous knowledge of the students in relevance to the lesson
- c) The testing of the previous knowledge
- d) Utilizing the previous knowledge for introducing the lesson
- e) Motivating the students for studying the present lesson

#### (ii) Presentation

Actual lesson commences here. This step should involve a good deal of activity on the part of the students. Here the aims of the lesson should be stated clearly and the heading should be written on the blackboard. The teacher will take the aid of various devices, e.g., questions, illustrations, explanation, expositions, demonstration and sensory aids, etc. Information and knowledge can be given, explained, revealed or suggested. The following principles should be kept in mind. a. Principle of selection and division: This subject matter should be divided into different sections. The teacher should also decide as to how much he is to tell and how much the pupils are to find out for themselves. b. Principle of successive

sequence: The teacher should ensure that the succeeding as well as preceding knowledge is clear to the students. c. Principle of absorption and integration: In the end separation of the parts must be followed by their combination to promote understanding of the whole.

#### (iii) Comparison of Association

More importance should be given in this stage to compare the facts observed by the students with another concept by way of giving examples. By making use of this comparison, the students can derive definitions or theories. It is always desirable that new ideas or knowledge be associated to daily life situations by citing suitable examples and by drawing comparisons with the related concepts. This step is important when we are establishing principles or generalizing definitions. The students are encouraged to give new suitable examples for the concept instead of the examples given in the book to make them think in an innovative manner.

#### (iv) Generalization

This step is concerned with arriving at some general ideas or drawing out the necessary conclusions by the students on the basis of the different comparisons, contracts and associated observed in the learning material present by the teacher. As far as possible the task of formulation should be left to students. The teacher at this stage should try to remain in the background for providing only necessary guidance and correction.

#### (v) Application

In this stage, the teacher makes the students to use the understood knowledge in an unfamiliar situation. Unless the knowledge of science is applied in new situations or in our day-to-day life, the study of science will become meaningless. This application of scientific principles will strengthen learning and will make the learning permanent.

#### (vi) Recapitulation

This stage is meant for the teachers to know whether students have grasped by reviewing a lesson or by giving assignments to the students. Only through this step achieving closure (in teaching) is possible. This is used for assessing/evaluating the effectiveness of the lesson by asking students questions on the contents of the lesson or by giving short objectives to test the student's level of understanding; for example, to label different parts on a diagram, etc.

#### 8.3.1 Practical Outline of Herbartian Lesson Plan

On the basis of five steps mentioned above an outline of a lesson plan has been developed to prepare lesson notes in practical form which include following points:

- (i) Subject, topic, class with section, period and date.
- (ii) General aims of the subject teaching.
- (iii) Specific objectives related to the topic or lesson.
- (iv) Introduction
- (v) Statement of aim.
- (vi) Presentation
- (vii) Explanation
- (viii) Black-board summary.
- (ix) Recapitulatory questions or review questions.
- (x) Home work or assignment.

### (i) Subject, topic, class and date

The pupil-teacher has to mention date, period, class with its section, subject and topic to be taught at the top of his lesson note. This step delimits the lesson planning and concentrates the teacher on the content of a particulars topic.

#### (ii) General objectives of subject teaching:

The different school subjects have their own general objectives. The teacher has to write the general aims and objectives of the subject to be taught in his lesson note having the consideration of level of students. These objectives differ according to the level of class and students. The teaching of topic is a step in the direction of achieving the general objectives.

#### (iii) Specific objectives

The general objectives are broad directional path. The specific objectives are the deterministic commitment of the plan to achieve and ensure to by the designed lesson plan. The specific objectives can be achieved by organizing the teaching for a period of 40-45 minutes. The specific objective may be knowledge, skill and appreciation. These objectives are identified by considering the nature of topic and written in behavioural terms.

#### (iv) Introduction

It is preparation stage of Herbartian's five steps approach. This step mainly concern with starting of teaching activities. According to Herbart, the mind of child should be prepared to receive new knowledge. It is just like preparing the ground before sowing the seed in it. At this stage, the teacher is only to assure himself what the pupils already know relevant to the topic. Herbart calls this as 'Apperceptive masses'. The teacher is to put a few questions to the class to bring their previous knowledge i.e. 'Apperceptive masses' to the forefront and thus in a way preparing them to connect the preparation is a sort of testing and rearranging the contents of previous lessons or correlating the lesson with the daily routine life. Arousing the interest of the students is a pre-requisite to the learning process that is way preparation is called 'Motivation' or 'Introduction'. At this stage teacher employs his insight and experiences for linking new knowledge with the previous knowledge of the students. The topic is usually emitted by the responses of introductory questions given by the students. These introductory question and their expected answers are written in the lesson note.

#### (v) Statement of Aim

At this stage specific aim is stated. The teacher knows the specific aim of lesson and it has already been written in the lesson note but most of the students may not be very clear about it. The students should also equally know where they are being lead to. If the introduction has been effectively done, the aim will automatically emerge out. But, children always demand definiteness of the topic to be learnt. So, there should be a clear announcement of the aim of the lesson by the teacher. The statement of aim should be clear cut. Concise and free from verbosity and unknown words. It is just a statement of specific objectives.

#### (vi) Presentation

After introducing the topic to be taught. The presentation is done with the help of developing questions. The questions are arranged in a logical sequence keeping in view the nature and structure of teaching unit or topic. At this stage method of teaching is also decided and written in the lesson note. Questions are also set according to the teaching procedure adopted.

#### (vii) Explanation

In presenting the content of topic, efforts are made by the teacher questions related with previous questions answer in simple and straight forward form. But, sometimes students may not be able to answer these questions. When the students are not able to answer the developing questions, the teacher is supposed to explain the element or concept by giving his statement or explanations. Teacher should also

mentioned in the lesson note of such questions or points which have already been identified as difficult for the students.

#### (viii) Black-board Summary

Before starting the lesson, the pupil teacher has to put some usual entries such as date, period, and duration of the period, class, section and subject on the top of the black-board. After introducing and starting the aim he writes main topic of the lesson on the black-board. The teacher starts a new lesson by writing the main topic on the black-board and goes on developing the black-board summary as the lesson proceeds. Black-board summary should include the main points of lesson, important terms, difficult words, formulas definitions explanations etc.

For example, in the teaching of Accountancy, the use of black-board is indispensable. It may verily be called the second tongue of Accountancy teacher. Most aspects of accountancy can be clarified only through writing because verbal explanations do not suffice in such cases. As soon as the teaching of commerce, the use of black-board should begin and go right up to the end of the lesson. When a lesson is concerned with the solution of a problem or preparing accounts systematically may be considered as black-board summary.

#### (ix) Recapitulation or Application:

After presenting and explaining the lesson, recapitulatory questions should be asked by the teacher to practice the student learning and evaluate the students performance Recapitulatory questions should be asked after removing off the black board summary. It helps the teacher to know how far he has succeeded in the attainment of objectives. Through this step knowledge is established and made firm further progress.

#### (x) Home Work or Assignment:

At the end of lesson, home work is assigned to the pupil on the same topic. The purpose of home work is to practice, to organize and to study the topic thoroughly. It helps in making the knowledge permanent through proper usage. In preparing the Herbartian lesson plan, above mentioned steps are followed.

#### 8.3.2 Advantages of Herbartian Lesson Plan

Following are the advantages of Herbartian lesson plan:

#### i. Organized Teaching

Each step has been organized in a logical order which provides an opportunity to the fresh teacher to become aware of future mistakes. Originality is never affected and the teaching goes on in a very organized way.

#### ii. Acquiring thoughts as apperception

Herbart believed that when the new thought related to the thoughts lying in unconscious mind of the pupils are presented, the thoughts of unconscious mind come to the conscious mind, establish relationship with the new thought and again go to the unconscious mind. Herbart termed this material process of acquiring thoughts as apperception.

#### iii. Use of inductive and deductive methods

While presenting the new knowledge, help of various examples is sought through 'generalization' and rules are derived. it is an inductive method. In the step application, these rules are to be executed, this is a deductive method. Thus, both indicative and deductive methods are used in this five steps approach.

#### iv. Recapitulation

Such questions are asked while recapitulating which, on answering, result in the learning and application of the acquired knowledge in new situations.

#### v. Correlation

Herbart considered entire knowledge as a single unit. The knowledge of the pupils is acquired in a single unit. This allows to establish a correlation between previous and new knowledge and between all subject of the curriculum.

#### 8.3.3 Limitations of Herbartian Lesson Plan

#### (i) Mechanical method of teaching

The use of these steps takes away the freedom of the teacher as he cannot incorporate his independent thought in any step. This reduces his originality. Hence, Herbartian approach is a mechanical method of teaching.

#### (ii) No place for individual differences

While using Herbartian approach, similar questions are asked to the entire. This overlooks individual differences.

#### (iii) Useful in knowledge lesson only

Herbartian approach is useful in the knowledge lesson only, not in appreciation and skill lessons.

#### (iv) Teacher more active

In Herbartian approach, the teacher has to be more active. It is more desirable if the pupils remain more active than the teachers. As this teaching method is not activity-centered, pupils don't' get any motivation for learning.

#### (v) No need of generalization

Generalization is not needed while teaching language, geography, history, music and arts etc. Thus, all the five steps are not needed while teaching.

#### (vi) Uninteresting

This approach stresses upon the teaching of all the subjects of curriculum in a similar sequence overlooking the interests, attitudes, abilities, and capacities of the pupils according to their mental development. The entire teaching become monotonous. The pupil does not show any interest in acquiring new knowledge. Thus, Herbart's teaching method is not interesting.

#### (vii) Difficulty of correlation

Considering the knowledge as a complete unit, Herbart emphasized correlation between different subjects for the unity in the mental life of the pupils, But following these five steps teachers impart the knowledge of different subjects to the pupils differently. They seek to establish a correlation between various subjects in order to bring integration in the mental life of the pupils which is essentially difficult, if not impossible.

Check	Your Progress- 1
Note:	a) Answer the questions given below.
	b) Compare your answers with those given at the end of this lesson.
Write	in bracket T for true statements and F for False statements.
i.	Herbart's method is technical in nature ()
ii.	There is place for individual differences ( )
iii.	It motivates pupils to learn by doing ( )
iv.	Herbartian approach, emphasis is laid on teaching only instead of learning ( )
v.	Herbartian approach reduces the freedom of the teacher ( )
vi.	Pupils become passive through Herbartian approach ( )

#### 8.4 RCEM APPROACH TO LESSON PLANNING

The Indian educationists developed a new approach to lesson planning which is an improvement over the earlier approaches. This approach was developed in Regional College of Education Mysore. So, it is known as RCEM method of lesson planning. It also considers the Bloom's taxonomy of educational objectives in identifying the teaching objectives with some modifications. It involves mental abilities for writing the objectives in behavioral or functional form. In this approach of lesson planning, the design plan consists of three aspects:

- i Input
- ii Process
- iii Output

#### (i) Input

This aspect is concerned with the identification of objectives. Input may also be termed as 'expected behavioural outcomes' (EBOs). These objectives are broadly classified into four categories viz. knowledge, understanding, application and creativity. These objectives are written in behavioural by employing seventeen mental abilities. The entering behaviour of the students are also identified. The sequence of instructional procedure is determined with the help of these objectives.

#### (ii) Process

This aspect is concerned with the presentation of content and learning experiences. The main focus of process aspect is to create the learning situations for providing appropriate learning experiences to the learners. Therefore, the teaching strategies and tactics are selected for achieving the specified objectives. The communications strategy and audio-visual aids are employed for the effective presentation of the content. The process also includes the technique of motivation, so that student's behaviour can be reinforced for the desirable responses. The process implies the interaction of teacher and students.

#### (iii) Output

This aspect of instructional procedure is concerned with the 'Real Learning Outcomes' (RLOs). In the process aspect learning experiences are provided for the desirable change in students behaviour. The change in behaviour is known as the 'Real Learning Outcomes' (RLOs). The various measuring devices are employed to measure the RLOs. The evaluation devices are specified for measuring the

criterion behaviour. The theoretical of RCEM lesson plan has been illustrated with help of table (8.1) given below:

**Table 8.1: Theoretical RCEM Lesson Plan** 

Input	Process		Output
Instruction Expected Behaviour Outcomes (EBOs	Communication Strategy Learning Experiences (LE) Teacher Activities	Student Activities	Evaluation
1.Knowledge Objectives	Lecture, demonstration, use of chart and maps, explanation, question and answer methods.	Listening, observation, taking notes, interaction	Review, define, state describe, name list, questions.
2. Understanding Objectives	Discussion, problem,- solving demonstration, question-answer method.	Listening, observation, initiation, participation in group discussion.	Explain, interpret, translate, discriminate solving of the Problems.
3. Application objectives	Question-answer, group discussion, laboratory work, problem-solving methods.	Experiments, use of knowledge in solving the problems.	Observation, practical tests situational test, essay type test etc.
4. Creativity Objectives	Individual work, group discussion, problem solving.	Analysis and synthesis of elements, establish new relationships.	Oral test, essay type test, situational test, problem solving, observation.

This paradigm of lesson plan can be used in the teaching of various schools during teaching practice by pupil teachers.

#### 8.4.1 Merits of RCEM Approach

Following are the merits of RCEM Approach

- 1. It is more suitable to Indian schools.
- 2. Objectives are stated in terms of measurable abilities and mental process.
- 3. Teaching-learning situations, strategies, aids and materials are properly stated.
- 4. Evaluation aspects are also taking into consideration and take care properly.

#### 8.4.2 Demerits of RCEM Approach

Following are the demerits of RCEM Approach:

1. It is psychological and is too technical.

- 2. Formalities here consume more time
- 3. It is very tedious to write lesson plan of this type.
- 4. It is time consuming.
- 5. It is rather difficult to observe learning in the light of several mental processes.

### 8.5 LET SUM UP

There are various forms of written lesson plan in our country and abroad but following three forms are most popular and commonly used: Herbartian approach to lesson planning. Bloom's approach or evaluation approach to lesson planning and RCEM approach to lesson planning. Herbartain Five-Step Approach, is an impressive and psychological teaching method. It includes both inductive and deductive methods. A correlation among all the subjects of the curriculum is possible by its use. There is a provision of recapitulation in the step under 'application'. However, some educationists point out that this method is useful only for knowledge lessons. Generalization is not needed in every lesson. Herbart's method is mechanical. There is no place for individual differences. It does not motivate the pupils to learn by doing. The correlation between the different subjects is essentially difficult. Glower points out that in Herbartian approach; emphasis is laid on teaching only instead of learning. This reduces the freedom of the teacher. Pupils also become passive. Neither is their character formed nor do they reach their desired goals. Therefore, The Indian educationists developed a new approach to lesson planning which is an improvement over the earlier approaches called as RCEM approach. It involves mental abilities for writing the objectives in behavioral or functional form. In this approach of lesson planning, the design plan consists of three aspects i.e. Input, Process and Output.

Check	Your Progress- 2
Note:	a) Answer the questions given below.
	b) Compare your answers with those given at the end of this lesson.
2 (	a) Fill in the blanks
I.	is more suitable to Indian schools
II.	RCEM approach was developed in Regional College of Education
III.	aspect in RCEM approach is concerned with the presentation of content and learning experiences.
IV.	The process step employs the between teacher and student.
V.	involves mental abilities for writing the objectives in behavioral or functional form
2 (b)	Write in bracket T for true statements and F for False statements.
i.	Input may also be termed as 'expected behavioural outcomes ()
ii.	In RCEM approach communications strategy and audio-visual aids are employed for the effective presentation of the content ( )
iii.	RCEM is not suitable to Indian schools ( )
iv.	RCEM is the time saver approach ( )
v.	It is rather difficult to observe learning in the light of several mental processes ( )
8.6	LESSON END EXERCISE
Long a	nswers type questions
Q1.	Explain the steps involved in Herbartian lesson plan?
Q2.	Explain the advantages and disadvantages of Herbartian lesson plan?
Q3. Short an	Differentiate Herbartian approach and RCEM approach?  nswers type questions
Q1: Dete	ermine Herbart's educational ideology?
Q2: Eluc	cidate common Phenomenon of Herbartian approach and RCEM approach?

#### 8.7 SUGGESTED FURTHER READINGS

Aggarwal, J. C. (2008). *Teaching of Commerce: A Practical Approach*. New Delhi: Vikas Publishing House Pvt. Ltd.

Daniels, H. (1996). The Classroom as Workshop. The Best Practice Project: Building Parent partnerships in Chicago. *Educational Leadership*, *5*(3), 38-40.

Gory, B. D. (1988). Effective Teaching Methods. Toranto: Merrill.

Gray, A. (1997). SSTA Research Centre Report #97-07, Regina, SA: Saskatchewan School Boards Association Research Centre. http://www.ssta.sk.ca/research/instruction/97-07.htm.

IGNOU. (2000). *Unit-13 Co-curricular Activities, in Block-4 School Activities*, ES 335 Teacher and School, SOE, IGNOU: New Delhi

John, P. D. (2006). Lesson planning and the student teacher: Re-thinking the dominant model. *Journal of Curriculum Studies*, *38*(4), 483-498.

Kaur, M. (2010). *English Lesson Plan* (IGNOU help book for English lesson plan in English)

Lesson Plan Steps (Herbartian Approach). Retrieved from http://freenaleen.blogspot.in/2013/12/lesson-plan-steps-herbartian-approach.html

Peter, S.,& Mark. K. (2008). Writing Effective Lesson Plans: The 5-Star Approach. Boston: Allyn & Bacon.

# 8.8 ANSWERS TO CHECK YOUR PROGRESS

# **Answers to Check Your Progress 1**

i. F

ii. F

iii. F

iv. T

v. T

vi. T

# **Answers to Check Your Progress 2 (A)**

i. RCEM approach

ii. Mysore.

iii. Process

iv. Interaction

v. RCEM approach

# **Answers to Check Your Progress 2 (B)**

i. T

ii. T

iii. F

iv. F

v. T

LESSON NO. 9 UNIT-III

# PREPARATION OF LESSON PLAN (HERBARTIAN AND RCEM APPROACH)

#### **STRUCTURE**

	9.1	Introduction
9.4 Lesson Plan on Topic of Commerce through Herbartian Appro 9.5 Let Us Sum Up 9.6 Lesson End Exercise	9.2	Objectives
<ul><li>9.5 Let Us Sum Up</li><li>9.6 Lesson End Exercise</li></ul>	9.3	Lesson Plan on Topic of Commerce through RCEM Approach
9.6 Lesson End Exercise	9.4	Lesson Plan on Topic of Commerce through Herbartian Approach
	9.5	Let Us Sum Up
9.7 Suggested Further Readings	9.6	Lesson End Exercise
	9.7	Suggested Further Readings

#### 9.1 INTRODUCTION

Answers to Check Your Progress

9.8

In this lesson, we have discussed the two aspects of preparing a lesson plan. There are various former of lesson-plans. The paradigm of lesson-plans differs from country to country. The American approach, British approach and Indian approach are generally applied in developing the lesson-plans. In British approach, emphasis is given to the teacher's activities and presentation of content in the lesson planning. The teacher has to play major role in teaching-learning process. He has to plan, organize and control the students activities. Here stress is given on student testing. The Britisher's believe in slow change. After 1970, new innovations and new practice have been introduced in the field of education. In American approach, emphasis is given to the stress and project based lesson planning. The Indian approach of lesson planning has the influence of both the approaches, American and British. So, the learning objectives, teacher-activities, students-activities and evaluation of students are crucial aspects of Indian approach to lesson planning. There are various forms of written lesson plan in our country and abroad but following three forms are most popular and commonly used:

1. Herbartian approach to lesson planning

#### 2. RCEM approach to lesson planning

We also saw here model lesson plan on the topic of commerce through both the approaches RCEM and Herbartian. You got adequate exposure to various factors involved in presenting a reading lesson in your class.

#### 9.2 **OBJECTIVES**

After going through this lesson, you shall be able to:

- Prepare a lesson plan on the topic of commerce through RCEM approach, and
- Prepare a lesson plan on the topic of commerce through Herbartian approach.

# 9.3 LESSON PLAN ON TOPIC OF COMMERCE THROUGH RCEM APPROACH

This approach to lesson planning has been developed at Regional College of Education, Mysore. It is named as RCEM approach. This approach makes use of Systems Approach to education. The main steps involved in this approach are:

### a) Input

In this step, the entry level behaviour of the students is examined. Instructional objectives are specified in behavioural terms.

### b) Process

This step is concerned with the presentation of content matter. It corresponds to interaction process of the classroom. Activities of teacher and students are involved in this process.

#### c) Output

This is the evaluation phase of the lesson plan. Teacher uses various evaluation techniques to know the extent of achievement of instructional objectives.

A lesson plan in the subject of Business Studies for Class XI is presented here. This lesson plan is prepared for teaching a topic on meaning, features and types of "Internal Trade". It is done through the RCEM approach. The detail outline of the plan is given under the following headings.

Name	ABC	Topic	Internal Trade
Class	11 <sup>th</sup>	Time	35-40
Subject	Business Studies	Date	3/18/20

#### (A) Input

### 1. Teaching points:

- i. Meaning of internal Trade.
- ii. Features of internal Trade.
- iii. Types of internal Trade.

#### 2. **Objectives of the lesson:**

- i. To expand knowledge regarding commerce
- ii. To develop students interest in commerce
- iii. To increase the thinking ability of the students
- iv. To enhance the attitude of students in commerce

# 3. Expected Behavioural objectives:

- i. The student will be able to define internal trade
- ii. The student will able to learn about features of internal trade
- iii. Students will be able to explain different types of internal trade
- iv. Students will be able to demonstrate internal trade

### 4. Teaching Aids:

- i. General Aids: White board, marker, duster
- ii. Specific Aids: chart showing different types of internal trade.

#### (B) Process

#### I. Motivation

Before delivering the topic, the pupil-teacher will put some question to the student:

- Q1. What do you understand by trade?
- Ans. Buying and selling of goods

Q2. What activities are involved in the trade?

Ans: Production, banking, insurance etc.

Q3. How many parties are involved in trade?

Ans. Two, buyer and seller

Q4. What are the different types of trade?

Ans. Domestic/ Home trade and Foreign trade?

Q5. What is domestic trade and what is it's another name?

Ans: No response

## II. Announcement of the topic

Finding the students unable to answer the last question asked by pupil teacher, the pupil-teacher announces the topic by saying "well students" today we will study about "Internal Trade" which is also known as "Domestic Trade" and "Home trade" and writes these name on the black "board.

#### **III** Presentation

With the help of the chart and explanation method, teacher or trainee will develop the lesson:

Content	Pupil-Teacher Activity	Student's Activity	Black/White board Summary
Meaning of Internal Trade	While moving into the class, pupil teacher will ask what do you understand by internal trade.	Buying and selling of goods within nation	Internal Trade Internal Trade/Domestic trade/Home Trade
	Teacher will say very good and explain that internal trade is a which is confines within the boundries of a country or within geographical limits of a country.		
Features of Internal trade	υ	Students will write in their notebooks	Features of Internal trade

Feature 1- Trade within boundries	While writing on the blackboard, the teacher will explain first feature that internal trade is carried within boundries of a country	Students will listen carefully and write in their notebooks	Trade within boundries
Feature 2-Free movement of goods	While standing on the lecture stand, teacher or trainee teacher will explain that there is no restriction imposed on goods. Goods can be moved from one place to another place very freely.  While moving in the class pupil teacher will explain about this statement by giving suitable example.  Eg Sita ltd. co. distributed books from	Students will write in their notebooks	Free movement of goods  E.g Sita ltd. co. distributed books from Rajasthan to Punjab, Gujrat and Jammu & Kashmir.
Feature 3- Separate special acts to settle disputes	While moving in the class pupil teacher will explain about this statement by saying, There is no interference of govt. in case of internal trade and special act is made to settle disputes. For example: DSS (Dispute settlement system) of WTO and appropriation law etc.	Students will write in their notebooks	Feature 3- Separate special acts to settle disputes  For example: DSS (Dispute settlement system) of WTO and appropriation law etc.
Feature 4- Dealing in local currency	While moving in the class pupil teacher will explain about this statement by giving suitable example. For Example: In, India goods are exchanged in terms of Rupees	Students will write in their notebooks	Dealing in local currency
Other 5.Low cost transport 6.Simple taxes 7.Simplified procedure & methods of payment 8. Wide choice of goods	Pupil teacher will write all the other features on black board and explain the content.	Students will write in their notebooks	Other 5.Low cost transport 6.Simple taxes 7.Simplified procedure & methods of payment 8. Wide choice of goods

Types	of Internal Trade	Teacher or Pupil Teacher will portray chart to the students and tell them internal trade are classified as: Wholesale trade and retail trade.	Students will listen and watch carefully and draw the structure in their note book	Types of Internal Trade
Whole	sale Trade	Teacher will explain that wholesale trade refers to trade in which goods are sold in large quantities	Students will listen carefully and write in their notebook	Wholesale Trade
		While writing on the black board, teacher will ask students to write in their notebooks.		
IV	Application:			
(i)	There is free		o	f goods in internal trade
(ii)	The trade when	re bulk quantities of go	oods are sold is know	n as
(iii) (iv)		is also called as		currency.
CLOS	SURE:			
	Danil too als sur-			المراجع

Pupil teacher will summarize the structure of internal trade with the help of chart

### (C) Output

#### Real Learning out comes:-I.

- In order to know to what extent the pupils have understood the topic, pupil a. teacher will ask the following questions:
- What is internal trade and why it is called domestic trade? b.
- What are the features of internal trade? c.
- What are the types of internal trade? d.

#### Home Assignment:-II.

Pupil teacher will assign the homework to the students:-

Explain why there is less restrictions are imposed on internal trade? Q1

- Q2 Draw a structure of trade?
- Q3 Enumerate the characteristics of internal trade.

# 

Before delivering the topic, the pupil-teacher will put some question to the student

# 9.4 LESSON PLAN ON TOPIC OF COMMERCE THROUGH HERBARTIAN APPROACH

for the purpose of .....

A lesson plan in the subject of Business Studies for Class XII is presented here. This lesson plan is prepared for teaching a topic on Planning, its meaning and features. It is done through the Herbartian approach. The detail outline of the plan is given under the following headings.

Name	ABC	Topic	Planning
Class	12 <sup>th</sup>	Time	35-40
Subject	Business Studies	Date	3/18/20

**Instructional Aids: - General:** White board, marker, duster and pointer.

**Instructional Objectives:** After going through the lesson the students will be able to:

#### **Knowledge:**

v.

- Define Planning.
- Name the features of planning.
- List up the importance of planning.

#### **Understanding:**

- Explain the features of planning.

- Justify planning as a function of management.
- Explain the importance of planning.

#### **Application**

- Use planning in their life.

Others - Critically analyze the importance of planning in the process of management.

#### **Previous Knowledge Testing:-**

Q1. Do you go to the market?

Ans: Yes, we often go to the market.

Q2. What sort of items you from the market?

Ans: We purchase essential goods like eatables, medicines, clothes etc.

Q3. How do you prepare before going to the market?

Ans: We always make a list and then choose which place is suitable to buy these goods.

Q4. What do you mean by planning?

Ans: No Response

**1. Announcement of the Topic:** - Today we will study the meaning and importance of planning.

#### 2. Presentation

Subject matter	Teaching activity	Students activity	White board/chalk board
Meaning of Planning Planning is deciding advance what to do when to do and by whom a particular task will be done. It is selection of best alternatives among available alternatives.	Teacher will explain the meaning of planning and write it on the board	Students will their teacher listen carefully	Planning Planning is deciding advance what to do when to do and by whom a particular task will be done. It is selection of best alternatives among available alternatives.
Example: Time table construction in school	Teacher will tell the example and ask for more examples from the students where plan is needed and write them on the board	Going for a holiday, celebrating a friend's birthday	Time table construction in school - Going for a holiday, - celebrating a friend's birthday
Features of Planning 1.Features of achieving	Why planning is primary function of	Because without planning other	Features
objectives  2.Primary function of management	management	possible	2.Primary function of management
objectives 2.Primary function of	management	functions are not possible	-

<ul><li>3.Planning is pervasive</li><li>4.Planning is continuous</li><li>5.Planning is futuristic</li><li>6.Planning involves</li><li>decision making</li><li>7.Planning is a mental</li><li>exercise</li></ul>	What is the meaning of pervasive	No reply	4.Planning is continuous 5.Planning is futuristic 6.Planning involves decision making 7.Planning is a mental exercise
Importance of planning: 1.Reduces risk of uncertainty 2. Promote innovative ideas 3. Reduce wastage of time and resources 4. Facilitates directions decision making 5.Provides direction	Why should planning to be done before we start with an activity	Reduces wastage of time  Reduces wastage of money and resources	Reduces risk of uncertainty 2.promote innovative ideas 3. Reduce wastage of time and resources 4. Facilitates directions decision making 5. Provides direction

#### 3. Generalization

Planning is the process of deciding in advance what to do, when to do, how to do and who is to do a particular task. It is selection of best alternative among avariable alternative. It is very important as it reduces the risk of uncertainty, wastage offesources, helps in decision-making, and promotes innovative ideas. Planning is not aguarantee to success as it is futuristic and future is uncertain. It involves huge cost and it is a time consuming process

# 4. Recapitulation

- 1. What is planning?
- 2. Give any two features of planning?
- 3. Explain any two points of importance of planning?

#### 5. Home work

- Q1. Explain the meaning and features of planning.
- Q2. Why planning is important for every business organisation

Check Your Progress- 2		
Note:	a) Answer the questions given below.	
	b) Compare your answers with those given at the end of this lesson.	
Fill in the blanks		
i.	is the second step in Herbartian approach	
ii.	is the forth step in Herbartian approach	
iii.	Previous knowledge testing is done before	
iv.	After presentation of the content, the next step is	
v.	is the last step in Herbartian approach	
vi.	Announcement of topic is thestep in Herbartian approach	

### 9.5 LET US SUM UP

The teacher has to play major role in teaching-learning process. He has to plan, organize and control the students activities. Here stress is given on student testing. The Indian approach of lesson planning has the influence of both the approaches, American and British. So, the learning objectives, teacher-activities, students-activities and evaluation of students are crucial aspects of Indian approach to lesson planning. There are various forms of written lesson plan in our country and abroad but following three forms are most popular and commonly used: According to the Herbartian School of Pedagogy, the five formal steps are preparation, presentation, association or comparison, generalization and application. Further, to make improvement in all pattern of lesson planning RCEM approach has been emerged by at Regional College of Education, Mysore having three processes i.e. input, process and output.

#### 9.6 LESSON END EXERCISE

Q1. Prepare a lesson plan on 'Delegation of Authority' through RCEM approach

- Q2. Prepare a lesson plan on 'Sole Proprietorship' through Herbartian approach.
- Q3. Make a detailed comparative analysis of both the approaches: Herbartian approach & RCEM approach.

#### 9.7 SUGGESTED FURTHER READING

Aggarwal, J. C. (2008). *Teaching of commerce: A practical approach*. New Delhi: Vikas Publishing House Pvt. Ltd.

Daniels, H. (1996). The classroom as workshop, the best practice project: Building parent partnerships in chicago. *Educational Leadership*, *5*(3), 38-40.

Gory, B. D. (1988). Effective Teaching Methods. Toranto: Merrill.

Gray, A. (1997). SSTA Research Centre Report #97-07, Regina, SA: Saskatchewan School Boards Association Research Centre. http://www.ssta.sk.ca/research/instruction/97-07.htm.

IGNOU. (2000). *Unit-13 Co-curricular activities, in block-4 school activities*, ES 335 Teacher and School, New Delhi: SOE, IGNOU.

John, P. D. (2006). Lesson planning and the student teacher: Re-thinking the dominant model. *Journal of Curriculum Studies*, *38*(4), 483-498.

#### 9.8 ANSWERS TO CHECK YOUR PROGRESS

#### **Answers to Check Your Progress-1**

- i. Input
- ii. Process
- iii. Output
- iv. Home assignment
- v. Closure
- vi. Topic

#### **Answers to Check Your Progress - 2**

- i. Presentation
- ii. Recapitulation
- iii. Announcement of topic
- iv. Generalisation
- v. Home Assignment
- vi. First

LESSON NO. 10 UNIT-IV

# DIFFERENCE BETWEEN BOOK KEEPING AND ACCOUNTANCY

#### **STRUCTURE**

10.1	Introduction
10.2	Objectives
10.3	Book Keeping - Meaning
	10.3.1 Nature of Book Keeping
	10.3.2 Objectives of Book Keeping
10.4	Accounting - Meaning
	10.4.1 Objectives of Accounting
10.5	Similarities between Book Keeping and Accounting
10.6	Difference between Book Keeping and Accounting
10.7	Let Us Sum Up
10.8	Lesson End Exercise
10.9	Suggested Further Readings
10.10	Answers to Check Your Progress

#### 10.1 INTRODUCTION

Bookkeeping and accounting are two functions which are extremely important for every business organization. In the simplest of terms, bookkeeping is responsible for the recording of financial transactions whereas accounting is responsible for interpreting, classifying, analyzing, reporting, and summarizing the financial data. Bookkeeping and accounting may appear to be the same profession to an untrained eye. This is because both accounting and bookkeeping deal with financial data, require basic accounting knowledge, and classify and generate reports using the financial transactions. At same time, both these processes are inherently different and have their own sets of advantages.

### 10.2 OBJECTIVES

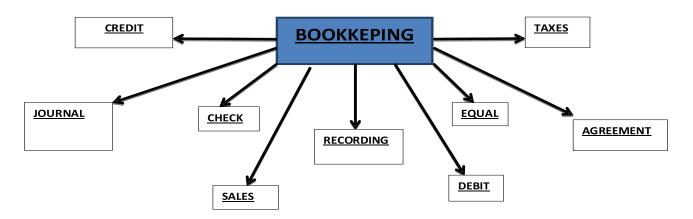
After going through this lesson, you shall be able to:

- explain the meaning of Bookkeeping,
- delineate the nature and objective of maintaining bookkeeping records,
- explain the meaning of Accounting with its objective, and
- enumerate the importance of maintaining financial records.

### 10.3 **BOOKKEEPING: MEANING**

Bookkeeping is one of the functions of financial accounting. Bookkeeping entails maintaining proper records and books for recording complete details of transactions made during the course of business. Business transactions can be classified into several major activities/groups for e.g. sales, purchases, assets, etc. Separate books for recording transactions pertaining to these activities are maintained, registered in them the details of respective transactions. This exercise is called bookkeeping.

### Diagram: Bookkeeping



### According to Carter,

"Bookkeeping is an art and science of correctly recording in books of accounts all those business transactions that result in transfer of money or money's worth.

There are various types of financial transactions that form a part of business. Some of these include:

- Purchasing office equipment.
- Buying raw material on cash.
- Purchasing raw material on credit.
- Selling goods on cash basis.

- Paying salaries and wages to employees.
- Buying office supplies on credit.
- Borrowing money from bank.
- Depositing cheque with bank.

Therefore it is advisable to maintain books of accounts for the following reasons as well:

- They provide up-to-date information about the business.
- They reflect the outcome of transactions made during the period under review.
- They give information about the state of affairs of the business at regular intervals.
- They help government and other authorities to decide about the incidence of various taxes.
- They help analyze the performance of business.
- They help compare the performance of several business houses.

### 10.3.1 Nature of Bookkeeping:-

Bookkeeping as a task is clerical in nature which includes:-

- i. Collecting financial data associated with the business.
- ii. Identifying various transactions that are economic in nature.
- iii. Measuring such transactions in terms of financial units, that is, money
- iv. Recording such economic transactions in order of their occurrence.
- v. Classifying each transactions into various heads such as sales, purchases etc.
- vi. Preparing trial balance to check for the accuracy of the recorded amounts.

# 10.3.2 Objectives of Bookkeeping:-

# 1) To find profit and loss:-

The major reason why book keeping is required is to find profit or loss your business is making. Unless you keep a proper record of all your business transactions, it is not possible for you to find profit or loss that your business is making.

# 2) To determine your tax liability:-

Book keeping helps in determining your tax liability as it is required to find out the profit or loss.

# 3) To check the progress of business:-

Book keeping is also required to check the progress of your business. For this purpose, you need to compare the current year's profit or loss with the previous year's profit or loss. This is not possible unless one maintains a proper record of all the business transactions.

### 4) To know the amount received/payable :-

Book keeping is also required to know what the amount you need to pay to someone is or you need to receive from someone. It is difficult to do so unless there is proper maintenance of records.

# **Check Your Progress-2**

Note: a) Answer the questions given below.

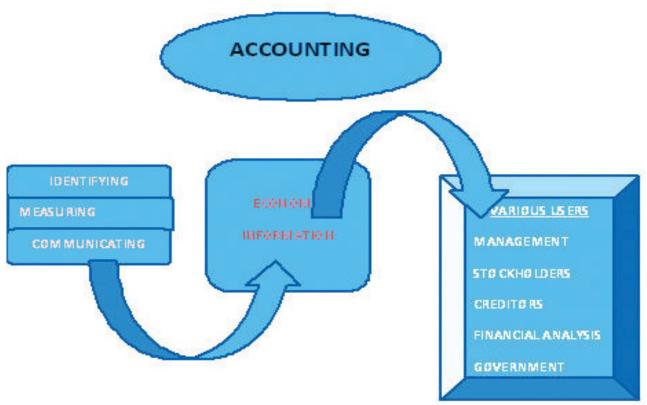
- b) Compare your answers with those given at the end of this lesson.
- 1). What is bookkeeping? Why is bookkeeping essential? Explain.

### **10.4 ACCOUNTING: - MEANING**

Business owners use accounting to record the financial transactions undertaken over the course of business. The ultimate goal of undertaking business activity is to generate profits. Thus, a business owner needs to know about the financial soundness of his business. In other words, he would want to know that the various transactions undertaken would result into profit or loss during the course of business. This is where accounting helps a business owner in understanding the impact of various transactions on its business.

According to The American Institute of Certified Public Accountants (AICPA), Accounting is defined as

"The process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of such information."



# 10.4.1 Objectives of Accounting:-

There are various objectives of undertaking accounting as a practice.

### These include:

- Maintaining records of business transactions.
- Estimating profit or loss.
- Showcasing the financial position.
- Giving accounting information to various users.

# **1** Maintaining Records of Business Transactions:

Accounting as a practice is useful in maintaining systematic record of business. It is not possible for a business owner to remember various transactions that take place over the course of business. Thus, accounting helps helps in keeping a record of such transactions in order of their occurrence.

Further, the online accounting has been a game changer. It helps in managing your accounts in the most efficient way possible. That is why, if you haven't already done so, your book keeping and accounting process should be managed online.

# 2) Estimating Profit or Loss:

The very purpose of undertaking accounting is to estimate the profit earned or losses incurred by a business during an accounting period. Business owners are keen to know the direction where the business is going. This can be done by recording expenses and incomes and preparing profit And loss statement for a particular period.

# 3) Showcasing The Financial Position:

Accounting as a practice also helps the business owners to know the financial soundness of the business. This is done by recording the various resources owned by the business (assets) and the various liabilities that it owes for a particular accounting period. All of this information is showcased in balance sheet of the business entry.

### 4) Giving Accounting Information to Various Users:

The accounting practice produces accounting information that is useful to the various stakeholders. As, mentioned above, these can be categorized into internal and external users. Internal users may include managing directors, finance officers; managersetc. Whereas external users include tax authorities, regulators, government, creditors such as banks etc.

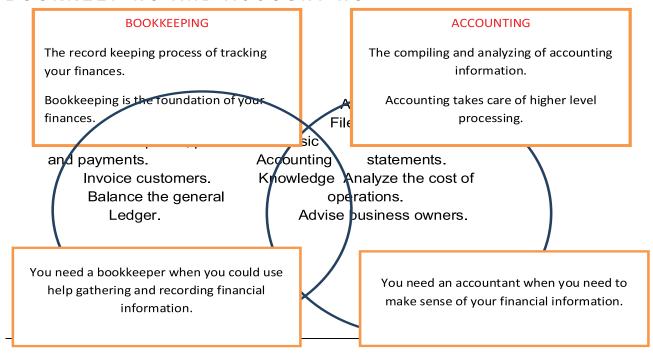
Check	Check Your Progress- 2			
Note:	a) Answer the questions given below.			
	b) Compare your answers with those given at the end of this lesson.			
1.	Book keeping is responsible for the of financial transactions.			
2.	The ultimate goal of undertaking business activity is to generate			
3.	There are two types of bookkeeping and			

### 10.5 SIMILARITIES BETWEEN BOOK KEEPINGAND ACCOUNTING

Bookkeeping and accounting can appear to be the same profession to the untrained eye. Both bookkeepers and accounts work with financial data. To enter either profession, you must have basic accounting knowledge. Bookkeepers in smaller companies often handle more of the accounting process than simply recording transactions. They also classify and generate reports using the financial transactions.

They may not have the education required to handle these tasks, but this is possible because most accounting software automates reports and memorizes transactions making transaction classification easier. Sometimes, an accountant records the financial transactions for a company, handling the bookkeeping portion of the accounting process. This can be well explained with the help of the following diagram:

#### **BOOKKEEPING AND ACCOUNTING**



### 10.6 DIFFERENCE BETWEEN BOOKKEEPING AND ACCOUNTING

A major misconception regarding bookkeeping vs. accounting is that both are considered to be one profession. Though they seem to be very similar, there are some striking differences between the two. To resolve this confusion, have listed down accounting vs. bookkeeping here:

S.No	Basis	Bookkeeping	Accounting
1.	Meaning	Bookkeeping is an activity that involves the recording of business transactions in an orderly manner.	Accounting is an activity concerned with recording, interpreting and summarizing of business transactions.
2.	Nature	Bookkeeping is mechanical or clerical in nature. In other words, it is mostly done by computers in today's world.	Accounting is analytical in nature as it involves knowledge, understanding and skill of the person or the accountant undertaking such an activity.

3.	Decision- making	Management can't take a decision bas on the data provided by bookkeeping.		
4.	Objective	The objective of bookkeeping is to kee the records of all financial transactions proper and systematic.		can take critical business decisions.  The objective of accounting is to gauge the financial situation and further communicate the information to the relevant authorities.
5.	Interpreting and preparation financial position	nd Bookkeeping cannot be used to determ the financial position of the business.  Hence financial statements are not prepared.	nine	Financial information is determined on the basis of the accounting reports so generated. Hence financial statements are prepared.
6.	Methodology	Bookkeeping is undertaken according the basic accounting concepts and conventions.	to	Various methods of analyzing and interpreting financial statements differ from business to business.
7.	7. Skills required Bookkeeping doesn't require any speskill sets.		ial	Accounting requires special skills due to its analytical and complex nature.
8.	Analysis	The process of bookkeeping does n require any analysis.	ot	Accounting uses bookkeeping information to analyze and interpret the data and then compiles it into reports.
9.	Types	Basically there are two types of bookkeeping- single entry and double entry bookkeeping.	prep	accounting department does arations of a company's budgets plans loan proposals.
10.	Bookkeepers and Accountants	Bookkeepers are required to be accurate in their work and knowledgeable about financial topics. Bookkeepers work is usually overseen by an accountant.	educ	ountants with sufficient experience and eation can obtain the title of Certified ic Accountant (CPA).

#### 10.5 LETS SUM UP

Bookkeeping works as a platform to Accounting procedure as bookkeeping is the initial stage or inception of accounting. Hence, bookkeeping is an inseparable part of Accounting. Bookkeeping acts as a base for the accounting and so if the bookkeeping of records is done properly, then it is supposed that accounting will also be perfect and vice versa. The task of bookkeeping is a clerical one. Therefore, a little knowledge of commerce is sufficient for it while the task of accounting is an analytical one so through knowledge in this field is required.

### 10.8 LESSON END EXERCISE

- 1. What is Bookkeeping and Accounting? Explain.
- 2. Discuss the similarities between Bookkeeping and Accountancy.
- 3. How is Bookkeeping different from Accountancy.
- 4. Explain the importance of maintaining accounting records.

### 10.9 SUGGESTED FURTHER READINGS

Simple Studies: How Bookkeeping is different from Accounting.

Miss CPA: Differences between Bookkeeping and Accounting.

New Age Publishers: Accounting Theory Resources

New Age Publishers.com: Accounting Theory

AICPA: Steps to Become a CPA

### 10.10 ANSWERS TO CHECK YOUR PRORESS

# **Answer to Check Your Progress-1**

Please go through 10.1 and 10.12

# **Answers To Check Your Progress – 2**

- 1. Recording
- 2. Profit
- 3. Single entry and Double entry

LESSON NO. 11 UNIT-IV

# **BASIC ACCOUNTING IN COMMERCE**

### **STRUCTURE**

1	1	1	T 4 1	
		.1	Introd	luction
1	1		11111100	

- 11.2 Objectives
- 11.3 Journal Entry
  - 11.3.1 Journal
  - 11.3.2 Journal Entry
  - 11.3.3 Advantages of Using Journal
  - 11.3.4 Classification of Accounts
  - 11.3.5 Journalizing Process
  - 11.3.6 Goods Account
  - 11.3.7 Important Considerations for Recording the Business Transactions
- 11.4 Subsidiary Books
  - 11.4.1 Cash Book
  - 11.4.2 Purchase Book
  - 11.4.3 Sales Book
  - 11.4.4 Purchase Return Book
  - 11.4.5 Sales Return Book
  - 11.4.6 Bills Receivable Book
  - 11.4.7 Bills Payable Book
  - 11.4.8 Journal Proper
- 11.5 Ledger
  - 11.5.1 Posting
  - 11.5.2 Rules Regarding Posting
  - 11.5.3 Balancing of an Account
- 11.6 Trial Balance
- 11.7 Trading Account

- 11.7.1 Important Points Regarding Trading Account
- 11.7.2 Closing Entries for Trading Account
- 11.8 Profit And Loss Account
  - 11.8.1 Important Points in Profit And Loss Account
  - 11.8.2 Closing Entries for Profit And Loss Account
  - 11.8.3 Distinction between Trading Account and Profit And Loss Account
- 11.9 Balance Sheet
  - 11.9.1 Characteristics
  - 11.9.2 Classification of Assets and Liabilities
  - 11.9.3 Marshalling Of Assets and Liabilities
- 11.10 Adjustments in Trading and P&L A/C
- 11.11 Rectification of Errors
  - 11.11.1 Classification of Errors
  - 11.11.2 Rectification of Errors
  - 11.11.3 Stages of Rectification of Errors
  - 11.11.4 Effect of Errors on Final Accounts
- 11.12 Let Us Sum Up
- 11.13 Lesson End Exercise
- 11.14 Suggested Further Readings
- 11.15 Answers to Check Your Progress

### 11.1 INTRODUCTION

Accounting is the system of recording financial transactions with both numbers and text in the form of financial statements. It provides an essential tool for billing customers, keeping track of assets and liabilities (debts), determining profitability, and tracking the flow of cash.

Financial accounting is a specialized branch of accounting that keeps track of a company's financial transactions. Using standardized guidelines, the transactions are recorded, summarized, and presented in a financial report or financial statement such as an income statement or a balance sheet.

### 11.2 **OBJECTIVES**

After going through this lesson, you shall be able to:

- practice journal entry,
- explain the meaning of subsidiary books,
- prepare ledgers,
- make trial balance,
- set up errors and rectification in trading Account, and
- prepare profit and loss account and balance sheet.

### 11.3 **JOURNAL ENTRY**

### 11.3.1 Journal

Journal is a historical record of business transaction or events. The word journal comes from the French word "Jour" meaning "day". It is a book of original or prime entry. Journal is a primary book for recording the day to day transactions in a chronological order i.e. the order in which they occur. The journal is a form of diary for business transactions. This is called the book of first entry since every transaction is recorded firstly in the journal.

### 11.3.2 Journal Entry

Journal entry means recording the business transactions in the journal. For each transaction, a separate entry is recorded. Before recording, the transaction is analysed to determine which account is to be debited and which account is to be credited.

A journal entry is the method used to record all individual financial transactions made by a company into its journal. To put it more simply, it is the daily accounting input written in the journal for each business event. Journal entries are foundation of all accounting and financial data. This is where it all starts because this is where real world events are recorded into a system. This is the first step in the accounting cycle and takes place each time a financial transaction occurs.

Journal entry is the act of keeping or making records of any transactions either Economic or non economic. Transactions are listed in an accounting journal that shows a company's debit and credit balances. The journal entry can consist of several recordings, each of which is either a debit or a credit.

A journal entry is simply a summary of the debits and credits of the transaction entry to the Journal. Journal entries are important because they allow us to sort our transactions into manageable data.

A journal entry is a recording of a transaction into a journal like the general journal or another subsidiary journal. Journal entries for accounting require that there be a debit and a credit in equal amounts. Oftentimes, there is an explanation that will go along with this to explain the transaction.

A journal entry means that a transaction has taken place whether it is a sale to a customer, buying goods from a supplier, or building a warehouse. These transactions affect both the balance sheet and income statement.

Journal entry accounting requires that there be an equal debit and credit for every transaction. This is also known as double entry bookkeeping. Many journal accounts have a normal balance. For example, assets have a normal debit balance if the account is increased and it is a credit if it is decreased.

A journal entry is used to record a business transaction in the accounting records of a business. A journal entry is usually recorded in the general ledger; alternatively, it may be recorded in a subsidiary ledger that is then summarized and rolled forward into the general ledger. The general ledger is then used to create financial statements for the business.

A journal is a detailed account that records all the financial transactions of a business, to be used for future reconciling of and transfer to other official accounting records, such as the general ledger. A journal states the date of a transaction, which accounts were affected, and the amounts, usually in a double-entry bookkeeping method.

A journal entry is a record of the business transactions in the accounting books of a business. A properly documented journal entry consists of the correct date, amounts to be debited and credited, description of the transaction and a unique reference number.

A journal entry is the first step in the accounting cycle. Ajournal details all financial transactions of a business and makes a note of the accounts that are affected. Since most businesses use a double-entry accounting system, every financial transaction impact at least two accounts, while one account is debited, another account is credited. This means that a journal entry has equal debit and credit amounts.

A journal entry is usually printed and stored in a binder of accounting transactions, with backup materials attached that justify the entry. This information may be accessed by the external auditors as part of their year-end investigation of a company's financial statements and related systems.

There are several types of journal entries, including the following:

• Adjusting entry: An adjusting entry is used at month-end to alter the financial statements to bring them into compliance with the relevant accounting

framework, such as Generally Accepted Accounting Principles or International Financial Reporting Standards. For example, you could accrue unpaid wages at month-end if the company is on the accrual basis of accounting.

- **Compound entry:** A compound journal entry is one that includes more than two lines of entries. It is frequently used to record complex transactions, or several transactions at once. For example, the journal entry to record payroll usually contains many lines, since it involves the recordation of numerous tax liabilities and payroll deductions.
- **Reversing entry:** This is typically an adjusting entry that is reversed as of the beginning of the following period, usually because an expense was to be accrued in the preceding period, and is no longer needed. Thus, a wage accrual in the preceding period is reversed in the next period, to be replaced by actual payroll expenditure.

The logic behind a journal entry is to record every business transaction in at least two places (known as double entry accounting). For example, when you generate a sale for cash, this increases both the revenue account and the cash account. Or, if you buy goods on account, this increases both the accounts payable account and the inventory account.

The Performa of Journal is shown as follows:

Date	Particulars	L.F.	Debit (Amount)	Credit (Amount)
(1)	(2)	(3)	(4)	(5)

**Column 1 (Date)**: The date of the transaction on which it takes place is written in this column.

**Column 2 (Particulars)**: In this column, the name of the accounts to the debited is written first, then the names of the accounts to be credited and lastly, the narration (i.e. a brief explanation of transaction) are entered.

**Column 3 (L.F.)**: L.F. stands for ledger folio which means page of the ledger. In this column are entered the page numbers on which the various accounts appear in the ledger.

**Column 4 (Dr. Amount)**: In this column, the amount to be debited against the 'Dr.' Account is written along with the nature of currency.

**Column 5 (Cr. Amount)**: In this column the amount to be credited against the 'Cr.' Account is written along with the nature of currency.

### 11.3.3 Advantages of Using Journal

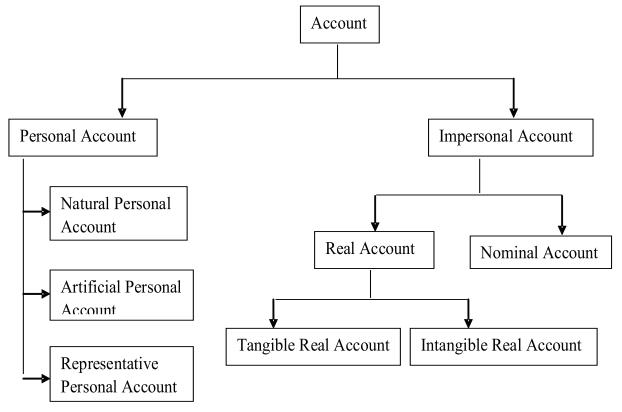
Journal is used because of the following advantages:

- A journal contains a permanent record of all the business transactions.
- The journal provides a complete chronological (in order of the time of occurrence) history of all business transactions and the task of later tracing of some transactions is facilitated.
- Complete information relating to one single business transaction is available in one place with all its aspects.
- The transaction is provided with an explanation technically called a narration.
- Use of the journal reduces the possibility of an error when transactions are first recorded in this book.
- The journal establishes the quality of debits and credits for a transaction and reconciles any problems. If a business purchases a bicycle, it is necessary to decide whether the bicycle represents ordinary goods or machinery. Further any amount paid is debited to bicycle account and credited to cash account.
- The use of journals avoids omission or duplication of transactions or parts of transaction. Without the journal the accountant would be forced to got to the individual account to enter debits and credits. Therefore it is possible for accountant to miss part of a transaction, duplicate all or part of a transaction or incorrectly record debits and credits. Even with the Journal, it is still possible to omit transactions and make other errors. However, the Journal reduces these problems.
- Once a transaction is recorded in the journal, it is not necessary to post it immediately in the ledger accounts. In this, way, the journal allows the delayed posting.
  - In connection with the journal, the following points are to be remembered:
- For each transaction, the exact accounts should be debited and credited. For that, the two accounts involved must be identified to pass a proper journal entry.
- Sometimes, a journal entry may have more than one debit or more than one credit. This type of journal entry is called compound journal entry. Regardless of how many debits or credits are contained in a compound journal entry, all the debits are entered before any credits are entered. The aggregate amount of debits should be equal to the aggregate amount of credits.
- For a business, journal entries generally extend to several pages. Therefore, the total are cast at the end of each page, against the debit and credit columns, the following words and written in the particular column, which indicates, carried forward (of the amount on the next page) "Total c/f".

The debits and credits totals of the page are then written on the next page in the amount columns; and opposite to that on the left, the following words are written in the particulars column to indicate brought forward (of the amount of the previous page) "Total b/f". This process is repeated on every page and on the last page, "Grand Total" is cast.

### 11.3.4 Classification of Accounts

Figure 11.1 Classifications of Accounts



# (1) Personal Accounts

Accounts which are related with accounts of individuals, firms, companies are known as personal accounts. The personal accounts may further be classified into three categories:

- (i) Natural Personal Accounts: Accounts of individuals relating to natural persons such as Akhil's A/c, Rajesh's A/c, Sohan's A/c are natural personal accounts.
- (ii) Artificial Personal Accounts: Accounts of companies, institutions such as Reliance Industries Ltd; Lions Club, M/s Sham & Sons, National College account are artificial personal accounts. These exist only in the eyes of law.
- (iii) Representative Personal Accounts: The accounts which represent some person such as wage outstanding account, prepaid insurance account, accrued interest account are considered as representative personal accounts.

# (2) Real Accounts

Real accounts are the accounts related to assets/properties. These may be classified into tangible real account and intangible real account. The accounts relating to tangible assets such as building, plant, machinery, cash, furniture etc. are classified as tangible real accounts. Intangible real accounts are the accounts related to intangible assets such as goodwill, trademarks, copyrights, franchisees, Patents etc.

# (3) Nominal Accounts

The accounts relating to income, expenses, losses and gains are classified as nominal accounts. For example Wages Account, Rent Account, Interest Account, Salary Account, Bad Debts Accounts.

### **Rules for Debit and Credit**

Type of Accounts		Rules for Debit	Rules for Credit	
(a)	Personal Account	Debit the receiver	Credit the giver	
(b)	Real Account	Debit what comes in	Credit what goes out	
(c)	Nominal Account	Debit all expenses and losses	Credit all incomes and gains	

**Illustration 1**: How will you classify the following into personal, real and nominal accounts?

- (i) Investments
- (ii) Freehold Premises
- (iii) Accrued Interest
- (iv) Punjab Agro Industries Corporation
- (v) Janata Allied Mechanical Works
- (vi) Salary Accounts
- (vii) Loose Tools Accounts
- (viii) Purchases Account
- (ix) Indian Bank Ltd.
- (x) Capital Account
- (xi) Brokerage Account

- (xii) Toll Tax Account
- (xiii) Dividend Received Account
- (xiv) Royalty Account
- (xv) Sales Account

### **Solution**

Real Account: (i), (ii), (vii), (viii), (xv).

Nominal Account: (vi), (ix), (xi), (xii), (xiii), (xiv)

Personal Account: (iii), (iv), (v), (x)

# 11.3.5 Journalizing Process

Journalizing is the process of recording journal entries in the Journal. It is a systematic act of entering the transaction in a day book in order of their occurrence i.e., date-wise or event wise. After analysing the business transactions, the following steps in journalizing are followed:

- (i) Find out what accounts are involved in business transaction.
- (ii) Ascertain what the nature of accounts involved is.
- (iii) Ascertain the golden rule of debit and credit is applicable for each of the accounts involved.
- (iv) Find out what account is to be debited which is to be credited.
- (v) Record the date of transaction in the "Date Column".
- (vi) Write the name of the account to be debited very near to the left hand side in the Particulars Column' along with the word 'Dr' on the same line against the name of the account in the 'Particulars Column' and the amount to be debited in the 'Debit Amount column' against the name of the account.
- (vii) Record the name of the account to be credited in the next line preceded by the word 'To' at a few space towards right in the 'Particulars Column' and the amount to be credited in the 'Credit Amount Column' in front of the name of the account.
- (viii) Record narration (i.e. a brief explanation of the transaction) within brackets in the following line in 'Particulars Column'.
- (ix) A thin line is drawn all through the particulars column to separate one Journal entry from the other and it shows that the entry of a transaction has been completed.

# **Illustration 2**: Analyse the following transactions.

- (a) Ramesh started his business with cash
- (b) Borrowed from Nikhil
- (c) Purchased furniture
- (d) Purchased furniture from Mohan on credit
- (e) Purchased goods for cash
- (f) Purchased goods from Ram on credit
- (g) Sold goods for cash
- (h) Sold goods to Hari on credit
- (i) Received cash from Hari
- (j) Paid cash to Ram
- (k) Deposited into bank
- (l) Withdrew cash for personal use
- (m) Withdrew from bank for office use
- (n) Withdrew from bank for personal use
- (o) Received cash from a customer, Shyam
- (p) Paid salary by cheque
- (q) Received donation in cash
- (r) Paid to Ram by cheque
- (s) Paid salary
- (t) Paid rent by cheque
- (u) Goods withdrawn for personal use
- (v) Paid an advance to suppliers of goods
- (w) Received an advance from customers
- (x) Paid interest on loan
- (y) Paid installment of loan
- (z) Interest allowed by bank.

# Solution

# **Analysis of Transactions**

	Analysis of Transactions					
Transaction	Accounts involved	Nature of accounts	How affected	Whether to be debited or credited		
a)	Cash A/c	Real	Cash is coming in	Debit		
	Capital A/c	Personal	Ramesh is the giver	Credit		
b)	Cash A/c	Real	Cash in coming in	Debit		
	Loan from Nikhil A/c	Personal	Nikhil is the giver	Credit		
c)	Furniture A/c	Real	Furniture is coming in	Debit		
	Cash A/c	Real	Cash is going out	Credit		
<u>d)</u>	Furniture A/c	Real	Furniture is coming in	Debit		
	Mohan A/c	Personal	Mohan is the giver	Credit		
e)	Purchases A/c	Real	Goods are coming in	Debit		
	Cash A/c	Real	Cash is going out	Credit		
f)	Purchases A/c	Real	Goods are coming in	Debit		
	Ram A/c	Personal	Ram is the giver	Credit		
g)	Cash A/c	Real	Cash is coming in	Debit		
8)	Sales A/c	Real	Goods are going out	Credit		
h)	Hari's A/c	Personal	Hari is the receiver	Debit		
	Sales A/c	Real	Goods are going out	Credit		
i)	Cash A/c	Real	Cash is coming in	Debit		
	Hari's A/c	Personal	Hari is the giver	Credit		
j)	Ram A/c	Personal	Ram is the receiver	Debit		
3/	Cash A/c	Real	Cash is going out	Credit		
k)	Bank A/c	Personal	Bank is the receiver	Debit		
	Cash A/c	Real	Cash is going out	Credit		
1)	Drawings A/c	Personal	Ramesh is the receiver	Debit		
	Cash A/c	Real	Cash is going out	Credit		
m)	Cash A/c	Real	Cash is coming in	Debit		
	Bank A/c	Personal	Bank is the giver	Credit		
n)	Drawings A/c	Personal	Ramesh is the receiver	Debit		
	Bank A/c	Personal	Bank is the giver	Credit		
0)	Cash A/c	Real	Cash is coming in	Debit		
	Shyam's A/c	Personal	Shyam is the giver	Credit		
p)	Salary A/c	Nominal	Salary is an expense	Debit		
	Bank A/c	Personal	Bank is the receiver	Credit		
q)	Cash A/c	Real	Cash is coming in	Debit		
	Donation A/c	Nominal	Donation is a gain	Credit		

r)	Ram A/c	Personal	Ram is the receiver	Debit
	Bank A/c	Personal	Bank is the giver	Credit
s)	Salary A/c	Nominal	Salary is an expense	Debit
	Cash A/c	Real	Cash is going out	Credit
t)	Rent A/c	Nominal	Rent is an expense	Debit
	Bank A/c	Personal	Bank is the giver	Credit
u)	Drawings A/c	Personal	Ramesh is the receiver	Debit
	Purchases A/c	Real	Goods are going out	Credit
v)	Advance to Suppliers A/c	Personal	Suppliers are the	Debit
			receivers	
	Cash A/c	Real	Cash is going out	Credit
w)	Cash A/c	Real	Cash is coming in	Debit

# Illustration3: Prepare Journal in the books of K.K. Co. from the following transactions

Year 2015	Transactions	Rs.
Dec 1	Started business with a capital of	50,000
Dec 6	Paid into bank	20,000
Dec 8	Purchased goods for cash	4,000
Dec 9	Paid to Ram	1,980
Dec 9	Discount allowed by him	20
Dec 10	Cash sales	3,000
Dec 12	Sold to Hari for cash	2,000
Dec 15	Purchased goods from Ram	4,000
Dec 18	Paid wages to workers	300
Dec 20	Recd. from Pankaj (Discount allowed Rs. 50)	1,000
Dec 22	Withdrawn from bank	3,000
Dec 25	Paid Ram by cheque	500
Dec 31	Withdrawn for personal use	200

# **Solution**

# In the Books of K.K. Co. Journal

Date	Particulars		L.F.	Rs.	Rs.
2015					
Dec 1	Cash A/c	Dr.		50,000	
	To Capital A/c				50,000
	(Being business started with ca	pital)			
6	Bank A/c	Dr.		20,000	
	To Cash A/c				20,000
	(Being cash paid into bank)				
8	Purchase A/c	Dr.		4,000	
	To Cash A/c				4,000
	(Being goods purchased for cash)	)			
9	Ram A/c	Dr.		2,000	
	To Cash A/c				1,980
	To Discount Received A/c				20
	(Being cash paid to Ram and	discount			
	received Rs. 20)				
10	Cash A/c	Dr.		3,000	
	To Sales A/c				3,000
	(Being goods sold for cash)				
12	Cash A/c	Dr.		2,000	
	To Sales A/c				2,000
	(Being goods sold for cash)				
15	Purchases A/c	Dr.		4,000	4,000
	To Ram A/c				
	(Being goods purchased from Ra	m)			
18	Wages A/c	Dr.		300	300
	To Cash A/c				
	(Being wages paid)				

20	Cash A/c	Dr.	1,000	
	Discount Allowed A/c	Dr.	50	
	To Pankaj A/c			1,050
	(Being cash received from Panka	j and		
	allowed him discount Rs. 50)			
22	Cash A/c	Dr.	3,000	
	To Bank A/c			3,000
	(Being cash withdrawn from bank)			

### 11.3.6 Goods Account

Generally, the term goods include every type of property such as Land, Building, Machinery, Furniture, Cloth etc. However, in accountancy its meaning is restricted to only those articles which are purchased by a businessman with an intention to sell it. For example, if a businessman purchased typewriter, it will be goods for him but if he deals in other business say clothes then typewriter will be asset for him and clothes will be goods.

### **Sub-Division of Goods Accounts**

The goods account is not opened in accounting books and it is to be noted goods includes purchases, sales, sales returns, purchases return of goods. However, purchase account, sales account, sales return account and purchase return account are opened in the books of account.

- **Purchases Account:** This is opened for goods purchased on cash and credit.
- Sales Account: This account is opened for the goods sold on cash and credit.
- Purchase Returns Account or Return Outward Account: This account is opened for the goods returned to suppliers.
- Sales Returns Account or Return Inward Account: This account is opened for the goods returned by customers.

# **Opening Entry**

In case of going concern at the beginning of the new year, new books of accounts are opened and the balances relating to personal and real Accounts appearing in the books at the close of the previous year are brought forward in new books. The entry for this purpose in the books is called opening entry.

The opening entry is passed by debiting all assets and crediting all liabilities including capital. If the amount of capital is not given then this can be found out with the help of the accounting equation:

Assets = Liabilities + capital

Capital = Assets-Liabilities

**Illustration 4**: On 1st April 2018, Singh's assets and liabilities stood as follows:

Assets: Cash Rs. 6,000, Bank Rs. 17,000, Stock Rs. 3,000; Bills

receivable 7,000; Debtors 3,000; Building 70,000; Investments 30,000; Furniture

4,000

Liabilities: Bills payable 5000, Creditors 9000, Ram's loan 13,000

Pass on opening Journal entry.

### **Solution:**

Date	Particulars	L.F.	Debit	Credit
			Amount	Amount
2018				
April 1	Cash Account Dr.		6,000	
	Bank Account Dr.		17,000	
	Stock Account Dr		3,000	
	Bills receivable Account Dr.		7,000	
	Debtors Account Dr.		3,000	
	Building Account Dr.		70,000	
	Investment Account Dr.		30,000	
	Furniture Dr.		4,000	
	Furniture Dr.		4,000	
	To Bills payable Account			5,000
	To Creditor's Account			9,000
	To Ram's loan Account			13,000
	To Singh's capital			1,13,000
	(Being the opening balances of assets			
	and liabilities)			
			1,40,000	1,40,000

# 11.3.7 Important Considerations for Recording the Business Transactions

### 1. Trade Discount

Trade discount is usually allowed on the list price of the goods. It may be allowed by producer to wholesaler and by wholesaler to retailer for purchase of goods in large quantity. It is not recorded in the books of account and entry is made only with the net amount paid or received, for example, purchased goods of list price Rs. 8,000 at 15% trade discount from X. In this case the following entry will be passed:

		Rs.	Rs.
Purchases Account	Dr.	6,800	
То Х			6,800

(Being goods purchased at 15% trade discount Less list price)

# 2. Amount paid or received in full settlement or cash discount

Cash discount is a concession allowed by seller to buyer to encourage him to make early cash payment. It is a Nominal Account. The person who allows discount, treat it as an expenses and debits is his books and it is called discount allowed and the person who receives discount, treat as an income and it is called discount received and credits in his books of account "Discount Received Account." For example, X owes Rs. 6,000 to Y. He pays Rs. 5,950 in full settlement against the amount due. In the books of X the journal entry will be:

			145.	13.
YA/c		Dr.	6,000	
	To Cash Account			5,950
	To Discount Received account			50

(Being Cash paid and discount received)

In the books of Y		Rs.	
Rs.			
Cash Account	Dr.	5,950	
Discount Allowed Account	Dr.	50	
To X			6,000

(Being cash received and discount allowed)

# 3. Goods distributed as free samples

Some times business distributes goods as free samples for the purpose of advertisement. In this case Advertisement Account is debited and Purchases Accounts is credited. For example, goods costing Rs. 8000 were distributed as free sample. T record this transactions following entry will be passed:

		Rs.	Rs.
Advertisement Account	Dr.	8,000	
To Purchases Account			8,000
	168		

### 4. Interest on capital

Interest paid on capital is an expense. Therefore interest account should be debited. On the other hand the capital of the business is increases. So the capital account should be credited. The entry will be as follows:

Interest on Capital Account

Dr.

To Capital Account

# 5. Interest charged on Drawings

If the interest is charged on drawings then it will be an increase in the income of business, so interest on drawings will be credited. On the other hand there will be increase in Drawings or decrease in Capital. So Drawings Account will be debited. To record this, following entry will be passed:

Drawing Account or

Dr.

Capital Account

Dr.

To Interest on Drawing Account

### 6. Depreciation charged on Fixed Assets

Depreciation is the gradual, permanent decrease in the value of an assets due to wear and tear and many other causes. Depreciation is an expense so the following entry will be passed:

Depreciation Account

Dr.

To Asset Account

### 7. Bad Debts

Sometimes a debtor of business fails to pay the amount due from him. Reasons may be many e.g. he may become insolvent or he may die. Such irrecoverable amount is a loss to the business. To record this following entry will be passed:

**Bad Debts Account** 

Dr.

To Debtor's Account

### 8. Bad Debts Recovered

When any amount becomes irrecoverable from any costumer or debtor his account is closed in the books. If in future any amount is recovered from him then his personal account will not be credited because that does not exist in the books. So the following entry is passed:

Cash Account	Dr.

### To Bad Debts Recovered Account

### 9. Purchase and Sale of investment

When business has some surplus money it may invest this amount is shares, debentures or other types of securities. When these securities are purchased, these are recorded at the purchase price paid. At the time of sale of investment the sale price of an investment is recorded in the books of accounts. The following entry is passed to record the purchase of investment:

Investment Account Dr.

To Cash Account

In case of sale of these securities the entry will be:

Cash Account Dr.

To Investment Account

# 10. Loss of Goods by Fire/Accident/theft

A business may suffer loss of goods on account of fire, theft or accident. It is a business loss and a nominal account. It also reduces the goods at cost price, and increases the loss/expenses of the business. The entry will be passed as:

Loss by fire/Accident/theft Account Dr (for loss)

Insurance Company Account Dr. (for insurance claim admitted)

To Purchases Account

### 11. Income Tax Paid

Income Tax paid should be debited to Capital Account or Drawings Account and credited to cash Account in case of sole proprietorship and partnership firms. The reason behind this is that income tax is a personal expense for the sole trader and partners because it is paid on income of proprietor. The entry will be as follows:

Capital Account Dr.

Drawing Account	Dr.
To Cash Account	

### 12. Bank Charges

Bank provide various services to their customers. Bank deducts some charges by debiting the account of customers. It is an expenses for the business. To record this following entry will be passed in the books of businessman/customer:

Bank Charges Account Dr.
To Bank Account

# 13. Drawings Account

It is a personal account of the proprietor. When the businessman withdraws cash or goods form the business for his personal/domestic use it is called as 'drawings'. Drawings reduce the capital as well as goods/cash balance of the business. The journal entry is:

Drawings Account
To Cash Account
To Purchases Account

# 14. Personal expenses of the proprietor

When the private expenses such as life insurances premium, income tax, home telephone bill, tuition fees of the son of the proprietor etc. are paid out of the cash or bank account of business it should be debited to the Drawing Account of the proprietor. The journal entry is:

Capital/Drawings Account Dr. To Cash/Bank

# 15. Sale of Asset/Property

When the asset of a business is sold, there may occur a profit or loss on its sale. It should be noted carefully that sales account is never credited on the sale of asset. The journal entry is:

(i) In case there is a profit on sale of Property/Assets

Cash/Bank Account
To Asset/Property Account
To Profit on sale of Asset Account

171

(ii) In case of a loss on sale of asset

Cash/Bank Account Dr.
Loss on sale of Asset Account Dr.

To Asset Account

### 16. Amount paid or Received on behalf of customer

(i) When the business entity pays the amount on behalf of old reputed customers such as carriage in anticipation of recovering the same later on, carriage account should not be opened because carriage is not the expense of the seller. It should be debited/charged to customer's Personal account. The journal entry is:

Customer/Debtor's Account Dr.
To Cash/Bank Account

(ii) When the business entity receives the amount on behalf of customers from the third party as mutually settled between the third party and the customer, the account of the third party/person making the payment should not be opened in the books of the receiving entity. The journal entry in the books of the entity is:

Cash/Bank Account Dr.
To Customer/Debtor's Account

# 17. Amount paid on behalf of creditors

When the creditors/supplier instructs the business entity to make payment on their behalf, the amount so paid should be debited to creditors account and liability of the business will decrease accordingly. The journal entry is:

Suppliers/Creditors Account Dr.

### To Cash/Bank Account

- **18.** The events affecting business but they do not involve any transfer/exchange of money for the time being, they would not be recorded in the financial books. Examples of them are:
- (i) On 1st January 2006 placed on order to Geeta & Sons for the supply of goods worth Rs. 1,00,000.
- (ii) Babanjot, a B.Com. graduate has been appointed Sales Assistant on a salary of Rs. 5,000 p.m. on Jan., 2006.
- (iii) Raman, a proprietor contracted with Bahia Builders Ltd. For the renovation of the building at an estimated cost of Rs. 5,00,000.
- (iv) A shop in Adalt Bazar Patiala contracted to be taken on a rent @ Rs. 4,000 pm.

# 19. Paid wages/installation charges for erection of machinery

Wages and installation charges are the expenses of nominal nature. But for erection of machinery no separate account should be opened for such expenses because these expenses are of capital nature and it will be merged/debited to the cost of assets i.e. machinery. The journal entry is:

Machinery Account Dr.
To Cash/Bank Account

(Being wages/installation charges paid for the erection of machinery)

### **Check Your Progress-1**

Note: a) Answer the questions given below.

- b) Compare your answers with those given at the end of this lesson.
- Q. Journalise the following transactions for the month of January 2016:

Jan.

1 Invested in shares of Tata Cotton Mills Ltd. and paid for the same in cash Rs. 2,000.

- 2 Placed on order with Mr. Shah for goods to be received a month later Rs. 1,500.
- Invoiced goods to Mr. Love worth Rs. 1,000 and allowed a trade discount of 2 percent.
- 4 Carriage Rs. 25 and freight Rs. 70 were paid by the proprietor for the above goods but which are to be charged to Mr. Love Account.
- 5 Paid rent to landlord of office premises- Rs. 150, which he spent on purchase of our goods.
- Goods valued at Rs. 700 were delivered to Ahmedabad Merchants under instructions from Mr. Gobind. They were to be charged to the latter's Account.
- 7 Mr. Love paid Rs. 500 due from him, and the same was spent on purchasing goods from Mr. Deepu.
- 8 Sold one old motor car belonging to the proprietor for Rs. 5,000 and the amount was invested in the business.
- 9 The proprietor paid Rs. 180 in full settlement of Mr. Manpreet for goods worth Rs. 200 purchased by him for personal use.
- Mr. Gobind was declared insolvent and paid Rs. 450 in full settlement. The balance Rs. 250 was written off as a bad debt.
- 11 Mohinder our debtors, on our advice, directly paid Narinder, our creditor Rs. 2,000.

### 11.4 SUBSIDIARY BOOKS

Subsidiary Books are those books of original entry in which transactions of similar nature are recorded at one place and in chronological order. In a big concern, recording of all transactions in one Journal and posting them into various ledger accounts will be very difficult and involve a lot of clerical work.

All business transactions, at the first stage, are recorded in the book of original entry i.e. Journal and then posted into the ledger under the double entry system of book-keeping. This procedure is easy and practicable in small business houses where the number of business transactions is less and when a single person can handle the business transactions.

But it is practically very difficult, rather impossible, to record all the business transactions of a day in the Journal of a large business house where the number of business transactions are varied and enormous because of the following reasons:

- (a) The system of recording all transactions in a journal requires (i) writing down of the name of the account involved as many times as the transactions occur; and (ii) an individual posting of each account debited and credited and hence, involves the repetitive journalising and posting labour.
- (b) Such a system does not provide the information on a prompt basis.
- (c) The journal becomes bulky and voluminous.
- (d) Such a system does not facilitate the installation of an internal check system since the journal can be handled by only one person.

Therefore, to overcome the shortcomings of the use of the journal as the only book of original entry, the journal is subdivided into special journals. It is divided in such a way that a separate book is used for each category of business transactions which are repetitive in nature, similar and are sufficiently large in number. Special journals refer to the journals meant for recording specific business transactions of similar nature. These special journals are also known as "Subsidiary Books" or "Day Books". The main types of special journals are as follows:

- (i) Cash Book: It records all those transactions which are in cash or by cheques.
- (ii) Purchases Book: It records all transactions relating to goods purchased on credit.
- (iii) Sales Book: It records all transactions relating to goods sold on credit.
- (iv) Purchases Return Book: It records return of goods to suppliers.
- (v) Sales Return Book: It records return of goods by the customers.
- (vi) Bills Receivable Book: It records entries regarding bills receivables. The details of bills are given in this book.
- (vi) Bills Payable Book: All bills which are accepted and payable by a business house are recorded in this book.

(viii) Journal Proper: Those transactions which are not recorded in any of the above mentioned books are recorded in the Journal Proper.

Before recording transactions in these day books, it is necessary to explain the special meaning given in business to the words 'Goods', 'Purchases' and 'Sales'.

**Goods**: It refers to items forming part of the stock-in-trade of a business house which are purchased and are to be resold at a profit. A business house may purchase fixed assets or stationery for use in business, but they are not purchases of goods.

**Purchases:** It refers to the purchase of goods for resale, and not the purchase of assets or stationery. The Purchases Account, therefore, only contains purchases of goods for resale.

**Sales:** It refers to the sale of goods which form part of the stock-in trade of the business.

# Advantages of using Special Journals are as under:

- (a) Facilitates division of work: The accounting work can be divided among many persons.
- (b) Time and labour saving in journalising and posting: For instance, when a Sales Book is kept, the name of the Sales Account will not be required to be written down in the Journal as many times as the sales transactions occur and at the same time, Sales Account will not be required to be posted again and again since, only a periodic total of Sales Book is posted to the Sales Account.
- (c) Permits the use of specialised skill: The accounting work requiring specialised skill may be assigned to a person possessing the required skill. With the use of a specialized skill, prompt, economical and more accurate supply of accounting information may be obtained.
- (d) Permits the installation of internal check system: The accounting work can be divided in such a manner that the work of one person is automatically checked

by another person. With the use of internal check, the possibility of occurrence of error/fraud may be avoided.

### 11.4.1 Cash Book

A Cash Book is a special journal which is used for recording all cash receipts and cash payments. If a cash book is maintained, there is no need for preparing cash account in the ledger. However, the other aspects of the transactions will be recorded in the ledger. Cash Book serves dual role of journal as well ledger. Cash Book is the book of original entry (Journal) since transactions are recorded for the first time from the source documents. It is a ledger in the sense that it is designed in the form of Cash Account and records cash receipts on the debit side and cash payments on the credit side.

### **Features**

- Only cash transactions are recorded in the Cash Book.
- It performs the functions of both journal and the ledger at the same time.
- All cash receipts are recorded on the debit side and all cash payments are recorded on the credit side.
- The Cash Book, recording only cash transactions can never show a credit balance.

### Kinds of Cash Book

Cash Book can be of several kinds:

- (a) Single Column Cash Book: For recording cash transactions only.
- **(b) Double (Two) Column Cash Book:** For recording cash transactions involving gain or loss on account of discount.
- (c) Triple (Three) Column Cash Book: For recording cash and bank transactions involving gain or loss on account of discount.
- (d) **Petty Cash Book:** For recording petty expenses.

Single Column Cash Book: The Single Column Cash Book has one column of amount on each side. All cash receipts are recorded on the debit (left-hand) side and all cash payments are recorded on credit (right-hand) side. In fact, it is nothing but a Cash Account. Hence, there is no need to open Cash Account in the ledger. Posting from the debit (receipt) side of the Cash Book is done to the credit side of concerned accounts and from the credit (payment) side of the Cash Book to the debit side of concerned accounts.

**Balancing the Cash Book:** Cash Book is balanced in the same manner as a ledger account. To verify the accuracy of the entries made and to confirm the authenticity of cash balance, it should be balanced daily.

The balance as per Cash Book must tally with the actual cash in hand. In the Cash Book, the total of amount column of the debit side always exceeds the total of credit side. As such, the Cash Book always shows a debit balance, since we cannot pay more than we have with us. At the end of the period, the balance of the Cash Book is placed on the credit side by writing "By Balance c/d" and then the totals are shown on both side in one straight line. The total of each side should be the same.

**Illustration 5:** Enter the following transactions in the Cash Book of Mr. Nikhil.

2016		Rs.
March 1	Mr. Nikhil commenced business with Cash	6,500
March 3	Bought goods for cash	685
March 4	Paid to Mohan	95
March 6	Deposited in the bank	4,000
March 6	Purchased office furniture on cash	465
March 9	Sold goods for cash	3,000
March 12	Paid wages in cash	120
March 13	Paid for stationary	40
March 15	Sold goods for cash	2,500
March 17	Paid for miscellaneous expenses	45
March 19	Received cash from Tarlok	485
March 21	Withdrew for domestic use	250
March 22	Paid salary	400
March 25	Paid rent	90
March 28	Paid electricity bill	35
March 29	Paid for advertising	40
March 31	Paid into bank	2,500

### **Solution**

#### CASH BOOK

Dr. Cr.

Date	Particulars	LF	Amount	Date	Particular	LF	Amount
	(Receipts)		(Rs.)		(payments)		(Rs.)
2016				2016			
2016				2016			
March 1	To Capital A/c		6,500	March 3	By Purchases A/c		685
March 9	To Sales A/c		3,000	March 4	By Mohan's A/c		95
March 15	To Sales A/c		2,500	March 6	By Bank A/c		4,000
March 19	To Tarlok's		485	March 6	By Furniture A/c		465
	A/c			March 12	By Wages A/c		120
				March 13	By Stationery A/c		40
				March 17	By Misc. Expenses		45
				March 21	A/c		
				March 22	By Drawings A/c		250
				March 25	By Salaries A/c		400
				March 28	By Rent A/c		90
				March 29	By Electricity A/c		35
				March 31	By Advertisement		40
				March 31	A/c		
					By Bank A/c		2,500
					By Balance c/d		3,720
			12,485		•		12,485

**Double Column Cash Book:** This Cash Book has two amount columns one for cash and another for discount on each side. It is customary in business to allow discount when payment is received from a customer promptly and before due date. It is equally so when payment is made to a creditor before due date. All cash receipts and discount allowed are recorded on the debit side and all cash payments and discount received are recorded on the credit side of Cash Book.

The posting from the cash columns is done in the same manner as it is done in Single Column Cash Book. Entries from discount column of the debit side of the Cash Book are posted on the credit side of every individual debtor's account to whom the business has allowed the discount. The total of the debit side of the discount column is shown on the debit side of the "Discount Allowed Account" by writing "To Sundries" in the particulars column. Entries from the discount column of the credit side of the Cash Book are posted on the debit side of every individual creditor's account by whom the discount is allowed to the business. The total of the credit side of the discount column is shown on the credit side of the "Discount Received Account" by writing "By Sundries" in the particulars column.

The cash column of the Double Column Cash Book is balanced exactly in the same manner as in case of the Single Column Cash Book. But, the discount columns are not balanced but merely totalled. These totals are posted to the respective Discount Allowed Account and Discount Received Account.

**Illustration 6:** From the following transactions, prepare the Two Column Cash Book and also post them in the Ledger.

2016		Rs.
Aug. 1	Cash in hand	25,500
Aug. 2	Received from Rakesh and	2,900
	discount allowed to him	100
Aug. 5	Cash sales	6,000
Aug. 6	Purchased goods for cash	7,800
Aug. 8	Received from Neelam and	1,350
	allowed her discount	50
Aug. 12	Paid to Ravinder and	3,400
	received discount	200
Aug. 20	Paid rent	1,000
Aug. 25	Interest received in cash	500
Aug. 26	Paid to Kamal and	1,760
	received discount	40
Aug. 28	Machinery purchased	5,200
Aug. 30	Salaries paid	3,000

# **Solution**

# **CASH BOOK**

Dr. Cr.

Date	Particulars	L.F.	Discount (Rs.)	Cash (Rs.)	Date	Particulars	L.F.	Discount (Rs.)	Cash (Rs.)
2016					2016				
Aug 1	To bal b/d			25,000	Aug 6	By Purchases A/c			7,800
Aug	To Rakesh's A/c		100	2,900	Aug 12	By Ravinder's A/c		200	3,400
Aug	To Sales A/c			6,000	Aug 20	By Rent A/c			1,000
Aug	To Neelam's A/c		50	1,350	Aug 26	By Kamal's A/c		40	1,760
Aug	To Interest A/c			500	Aug 30	By Machinery A/c			5,200
					Aug 31	By Salaries A/c			3,000
						By Bal c/d			14,090
			150	36,250				240	36,250
Sep 1	To Bal b/d			14,090					

**Note:** The discount columns are not balanced but these are totalled in respective column and posted in the ledger.

# RAKESH'S ACCOUNT

Dr. Cr.

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
				2016			
				Aug 2	By Cash A/c		2,900
				Aug 2	By Discount A/c		100

# PURCHASES ACCOUNT

Dr. Cr.

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
2016							
Aug 6	To Cash A/c		7,800				

### **NEELAM'S ACCOUNT**

Dr.							Cr.
Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
				2016			
				Aug 8	By Cash A/c		1,350

### **RAVINDER'S ACCOUNT**

Dr.							Cr.
Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
2016							
Aug 12	To Cash A/c		3,400				
Aug 12	To Discount A/c		200				

# RENT ACCOUNT

Dr.							Cr.
Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
2016							
Aug 20	To Cash A/c		1,000				

### INTEREST ACCOUNT

Dr.							Cr.
Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
				2016			
				Aug 25	By Cash A/c		500

### KAMAL'S ACCOUNT

Dr.							Cr.
Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
2016							
Aug 26	To Cash A/c		1,760				
Aug 26	To Discount A/c		40				

### **MACHINERY ACCOUNT**

DI.							CI.
Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
2016 Aug 28	To Cash A/c		5,200				

**Triple Column Cash Book:** This type of Cash Book is an improvement over the Double Column Cash Book. In modern times, it is virtually impossible to imagine any business without having dealings with a bank. Most of the transactions relating to receipts and payments of money are made through cheques. So transactions through bank are also recorded in the cash book by adding one more column i.e. bank column on both sides of the cash book. Therefore there are three columns on both sides of the cash book i.e. cash, bank and discount columns. That is why this type of cash book is known as Triple Column Cash Book.

Receipt side (Dr side) of the Triple Column Cash Book is used to record all receipts both in cash and by cheques as also to record the discount allowed to our debtors while receiving the payment. Cash receipts are entered in the cash column whereas amounts received by cheques are entered in the bank column and discount allowed in the discount column. Posting from the debit side of the cash book is made to the credit side of each account in the ledger— in case of personal accounts credit is to be given for cash or cheques received plus discount allowed.

Payment side (Cr. side) of the Cash Book is used to record all payments both in cash and through cheques as also to record the discount received or availed by us from over creditors while making payment to them. Cash payments are recorded in the cash column, payments through cheques are entered in the bank column and discount received in the discount column. Posting from the credit side of the cash book is made on the debit side of respective accounts—in case of personal accounts debit is to be given for the total of the payments made and discount received.

After recording all the relevant transactions in the Cash Book, all the columns of the Cash Book are totalled. The difference in the cash columns is put on the credit side of Cash Book in the column by writing "By Balance c/d". The bank balance may have a debit balance or a credit balance. If the total of the debit side of the bank column is more than the total of the credit side of the bank column, it has a debit balance and if the total of the credit side is more than that of the debit side, then it has a credit balance (overdraft). However, the difference is put on the lesser side. There is no need to balance the discount columns. The discount columns of both the sides are totalled.

In the Triple Column Cash Book there will be some cross or contra entries i.e., transfer of money from cash to bank (amount deposited) and vice-versa (amount withdrawn from bank for office use). In all such cases both entries occur in the cash book and no ledger entry is required. This is indicated by a contra sign (C) in the folio column indicating thereby that the double entry aspect of this transaction is complete and it requires no posting to the ledger.

Petty Cash Book: In every business organisation, there are a number of payments which involve small amounts e.g. payments for postage, telegrams, carriage, cartage etc. If all these transactions are recorded in the Cash Book, it will increase the head cashier's work manifold and it will make the Cash Book unnecessarily bulky and uneasy. Normally, one person is handed over a small amount to meet the petty expenses of a given period (say, week, fortnight or month) and is authorised to make such payments and to record them in a separate Cash Book. Such person, amount and Cash Books are called as "Petty Cashier", 'Imprest' and 'Petty Cash Book' respectively. The Petty Cash Book may or may not be maintained on 'Imprest System'. Under both the systems (i.e. Imprest and Non-imprest), the petty cashier submits the Petty Cash Book to the Head Cashier who

examines the Petty Cash Book. Under the Imprest system, the Head Cashier makes the reimbursement of the amount spent by the Petty Cashier but under Non-imprest system, the Head Cashier may handover the Cash to the Petty Cashier equal to/more than/less than the amount spent. Usually, the Petty Cash Book is maintained on the basis of imprest system.

**Advantage of the Imprest System**: The system of petty cash payments along with the imprest system offers the following advantages:

- (1) The money in the hands of the petty cashier is limited to the imprest amount.
- (2) As the periodical reimbursements are the actual expenses paid and not mere advances on account only, they are as such brought prominently to the notice of Chief Cashier.
- (3) The Chief Cashier, by handing over a fixed sum, is relieved of the cumbersome work of petty disbursements.
- (4) The main cash book is not unnecessarily clogged with the large number of small items. Even in the ledger, only the totals are posted.
- (5) At all time, the amount of cash in hand plus expenses not reimbursed must equal the imprest amount, thus, facilitating a simple check.
- (6) The maximum liability of the petty cashier can never exceed the imprest amount.
- (7) The regular check of the petty cash book creates a sense of responsibility in the petty cashier.

All the heads of expenses are totalled periodically and such periodic totals are individually posted to the debit side of the concerned ledger accounts in the ledger by writing 'To Petty Cash A/c' in the particulars column. The Petty Cash Account in the ledger is credited with the total expenditure incurred during the period by writing 'By Sundries as per Petty Cash Book' in the particulars column. The ledger folio number is written under every total amount of expense to indicate that the entry has been posted in the ledger. In the folio column of the ledger account, the page number of the petty cash book is written.

#### 11.4.2 Purchase Book

Purchases Book (also known as Invoice Journal/Bought Journal/Purchases Journal) is used for recording only the credit purchases of goods and merchandise in which the business is dealing in, i.e. goods purchased for resale purpose for earning revenue. It

records neither the cash purchases of goods nor the purchase of any asset other than the goods or merchandise.

When we purchase goods on credit we receive a statement from the supplier giving the particulars of the goods supplied by him. The statement is known as an Invoice. The invoice states the quality, price and the value of goods supplied. It also states the discount allowable (trade and cash) and the condition under which payment is expected. The entries in the purchase book are made on the basis of invoices received from the supplies with the amounts net of trade discount/quantity discount. Trade discount is a reduction granted by the supplier from the list price of goods and services on business consideration such as quantity bought, trade practices other than for prompt payment. The object of allowing trade discount is to enable the retailer to sell the goods to the customer at list price and still leaving margin for meeting business expenses and his profit. Entries in the books of both supplier as well as retailer are made on the basis of net amount i.e. invoice price less trade discount.

**Posting:** After recording transactions in the Purchases Book, the posting in ledger accounts will be made. The posting from the Purchases Book is made as follows:

- a) Debit the Purchases Account with the periodical totals of the Purchases Book. On the debit side of the Purchases Account, write "To total as per Purchase Book" or "To Sundries" in the particulars column.
- b) Personal accounts of each individual supplier is credited with the net amount of Inward Invoice recorded in Purchases Book by writing "By Purchases".

### 11.4.3 Sales Book

Sales Book or Sales Journal is written up to record all the credit sales. Sales Book records only those goods which are sold on credit and the goods in question must be those, which the firm generally deals in. If there are cash sales they are recorded in Cash Book and sale of assets are recorded in the Journal proper.

The entries in the Sales Book are made from the copies of the invoice which have been sent to customers along with the goods. Such copies of the invoices may be termed as Outward Invoice. Each such outward invoice should be numbered consecutively and the reference be given in the Sales Book along with the entry.

The Sales book is totalled periodically. The net amount of the invoices in Sales Book is posted to the ledger as follows:

- (a) Debit the personal accounts of the customers with the value of sales to them.
- (b) Credit Sales Account with the periodical total.

### 11.4.4 Purchase Return Book

In every business, it is not uncommon to find that the goods are returned by a business enterprise to the suppliers because of many reasons such as goods are defective, goods are not according to order. If the returns are frequent in a business, in that case a separate book may be maintained to record this type of transactions which is known as Purchases Returns Book or Returns Outward Book.

The entries in the Purchases Returns Book are usually made on the basis of debit notes issued to the suppliers. When a firm returns some goods to it suppliers, it prepares a debit note in duplicate. The original copy is sent to the supplier to whom the goods are returned. The Debit Note is so called because the supplier's account is debited with the amount of the goods returned.

### 11.4.5 Sales Return Book

Sales Return Book or Returns Inwards Book is meant for recording return of goods sold on credit. The goods which are sold for cash if returned are either exchanged for new goods or parties are paid in cash do not find a place in the Sales Return Journal. The columns used in this book are similar to Sales Book except that in place of Invoice No. the Credit Note number is recorded. Credit Note is just reverse of Debit Note and is sent by the seller to the buyer. It is an acknowledgment of the goods returned as well as information to the debtor that his account is being credited with the amount mentioned in it. Thus, the party to whom a Credit Note is sent become a creditor.

The posting from the Sales Return Book will be done periodically to the debit side of the Sales Returns Account in the ledger and the individual accounts of the customers will be credited with their respective amounts.

### 11.4.6 Bills Receivable Book

Where a payment for a business transaction is not made immediately but is deferred or postponed for a few months, a bill of exchange payable some time ahead may be drawn by the creditor (seller) on his debtor (purchaser). The bill of exchange is then accepted by the debtor indicating that he would pay the amount specified therein on the expiry of the period stated on the bill. To the creditor, who draws the bill upon his customer, it is termed as Bills Receivable representing money to be received at a future date; to the debtor, the bill on acceptance becomes a Bills Payable indicating that the money has to be paid at a future date.

Transactions involving the drawing, the acceptance and negotiation of bills are recorded in Bills Receivable and Bills Payable Books respectively. Bills Receivable Book is used to record the details of bills receivable on which the business enterprise will receive the amounts from other parties in future. The entries to be made in this book include the name of the acceptor (debtor), the terms, due date, the amount and other details.

**Posting:** The total of the amount column of the Bills Receivable Book is debited to the Bills Receivable Account while the amount of each bills receivable is posted to the credit of the account of the party from whom it is received.

## 11.4.7 Bills Payable Book

This is also a book of original entry and is used to record the particulars of all the bills payable accepted by the business enterprise for the purpose of paying at a future date amounts due by it (the business enterprise or trader) to its or his creditors. The entries to be made in this book relate to the name of the drawer, the name of the payee, the period, the due date, and other particulars. Then the acceptance is duly returned to the drawer.

**Posting**: The amount of each bill is posted to the debit side of the drawer's account in the ledger and the total of the amount column of the Bills Payable Book is posted to the credit of Bills Payable Account in the ledger.

# 11.4.8 Journal Proper

Journal Proper is a residuary book in which those transactions are recorded which cannot be recorded in any other subsidiary book such as (a) Cash Book, (b) Purchases Book, (c) Sales Book, (d) Purchases Returns Book, (e) Sales Returns Book, (f) Bills

Receivable Book, and (g) Bills Payable Book. The various examples of transactions entered in a Journal Proper are given below:

- (i) **Opening entry**: An Opening Entry is passed in the journal for bringing the balances of various assets, liabilities and capital appearing in the Balance Sheet of the previous accounting period, in the books of current accounting period.
- (ii) Closing entries: Closing Entries are passed in the journal for closing the nominal accounts by transferring them to the Trading and Profit and Loss Account. These are needed at the end of the accounting year, when the final accounts are prepared.
- (iii) **Transfer entries**: Transfer Entries are passed in the journal for transferring an amount from one account to another account, i.e. Transfer of Total Drawings from Drawings Account to Capital Account.
- (iv) **Adjusting entries**: Adjusting Entries are passed in the journal to bring into the books of accounts certain unrecorded items like closing stock, depreciation on fixed assets, outstanding and prepaid items. These are needed at the time of preparing the final accounts.
- (v) **Rectifying entries**: Rectifying Entries are passed in the journal to rectify the various errors committed while posting, totalling, balancing etc.
- (vi) **Miscellaneous entries**: This includes the following:
- (a) Capital brought in kind. If the proprietor of the business brings in his capital contribution in kind and not in cash, such transaction can be recorded only in the Journal Proper and not in the Cash Book since this transaction does not involve any cash inflow.
- (b) Purchase of Assets (other than Stock-in-trade) on credit (e.g., land, building, plant and machinery, furniture and fixture). Such transactions can neither be recorded in the Purchase Book (since no goods have been purchased) nor recorded in the Cash Book (since this transaction does not involve any cash outflow).
- (c) Sales of Assets (other than Stock-in-trade) which were sold on credit. Such transaction can neither be recorded in the Sales Book (since no goods have been sold) nor can be recorded in the Cash Book (since this transaction does not involve any cash inflow).

- (d) Return of Assets (other than Stock-in-trade) which were sold on credit. Such transactions cannot be recorded in the Return Inwards Book since no goods have been returned.
- (e) Return of Assets (other than Stock-in-trade) which were bought on credit. Such transactions cannot be recorded in the Return Outwards book since, no goods have been returned.
- (f) Endorsement of Bills Receivable to a creditor.
- (g) Dishonour of Bills Receivables (not discounted with bank).
- (h) Cancellation of Bills Payable.
- (i) Abnormal Loss of Stock-in-trade/other assets by theft, accident, fire, etc.
- (j) Writing-offBad Debts.

### 11.5 LEDGER

**Ledger** is a book which contains various accounts. In simple words, ledger is a set of accounts. It includes all accounts of the business enterprise whether Real, Nominal or Personal. Ledger may be kept in any of the following two forms:

- Bound Ledger; and
- Loose Leaf Ledger.

It is common to keep the ledger in the form of loose-leaf cards these days instead of keeping them in bounded form. This helps in posting transactions particularly when mechanised system of accounting is used. Interestingly, nowadays, mechanised system of accounting is preferred over the manual system of accounting.

# **11.5.1 Posting**

The term 'Posting' means transferring the debit and credit items from the Journal to their respective accounts in the ledger. It is important to note that the exact names of accounts used in the Journal should be carried to the ledger. For example:

If in the Journal, Salary Account has been debited, it would not be correct to debit the Outstanding Salary Account in the Ledger. Therefore, the correct course would be to use the same account in both the Journal and Ledger. Ledger posting may be done at any time. However, it must be completed before the annual financial statements are prepared. It is advisable to keep the more active accounts posted upto date. The examples of such accounts are the cash account, personal accounts of various parties, etc.

The Ledger posting may be made by the book-keeper from the Journal to the Ledger by any of the following methods:

- He may take a particular side first. For example, he may take the debits first and make the complete postings of all debits from Journal to the Ledger.
- He may take a particular account first and post all debits and credits relating to that account appearing on one particular page of Journal. He may then take some other account and follow the same procedure.
- He may complete posting of each journal entry before proceeding to the next entry.

It is advisable to follow the last method. Further, one should post each debit and credit item as it appears in the Journal.

The Ledger Folio (L.F.) column in the Journal is used at the time when debits and credits are posted to the Ledger. The page number of the Ledger on which the posting has been done is mentioned in the L.F. Column of the Journal. Similarly a folio column in the Ledger can also be kept where the page from which posting has been made from the Journal. Thus, these are cross references in both the Journal and the Ledger. A proper index must be maintained in the Ledger giving the names of the accounts and the page number. A specimen of Ledger is given below:

### **ROSHAN ACCOUNT**

Dr.							Cr.
Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount

All entries relating to Roshan's A/c shall be posted in this specimen a/c and finally the balance either debit or credit may be drawn. All rules regarding the posting must strictly be followed.

## 11.5.2 Rules Regarding Posting

The following rules must be observed while posting transactions in the Ledger from the Journal:

- (i) Separate accounts should be opened in the Ledger for posting transactions relating to different accounts recorded in the Journal. For example, separate accounts may be opened for sales, purchases, sales returns, purchases returns, salaries, rent, cash, etc.
- (ii) The concerned account which has been debited in the Journal should also be debited in the Ledger. However, a reference should be made of the other account which has been credited in the Journal. For example, for salaries paid, the salaries account should be debited in the Ledger, but reference should be given of the Cash Account which has been credited in the Journal.
- (iii) The concerned account, which has been credited in the Journal; should also be credited in the Ledger, but reference should be given of the account, which has been debited in the Journal. For example, for salaries paid, Cash Account has been credited in the Journal. It will be credited in the Ledger also, but reference will be given of the Salaries Account in the Ledger.

Thus, it may be concluded that while making posting in the Ledger, the concerned account which has been debited or credited in the Journal should also be debited or credited in the Ledger, but reference has to be given of the other account which has been credited or debited in the Journal, as the case may be. This will be clear with the following example:

Suppose salaries of Rs. 10,000 have been paid in cash, the following entry will be passed in the Journal:

Salaries Account Dr. 10,000 To Cash Account 10,000 In the Ledger two accounts will be opened (i) Salaries Account, and

(ii) Cash Account. Since Salaries Account has been debited in the Journal, it will also be debited in the Ledger. Similarly Cash Account has been credited in the Journal and, therefore, it will also be credited in the Ledger, but reference will be given of the other account involved. Thus, the accounts will appear as follows in the Ledger:

	SALARIES AC	CCOUNT	
Dr.			Cr.
Cash A/c (i)	Rs. 10,000		
	CASH ACC	OUNT	
Dr.			Cr.
		Salaries A/c (ii)	Rs. 10,000

Use of the words "To" and "By": It is customary to use words 'To' and 'By' while making posting in the Ledger. The word 'To' is used with the accounts which appear on the debit side of a Ledger Account. For example in the Salaries Account, instead of writing only "Cash" as shown above, the words "To Cash" will appear on the debit side of the account.

Similarly, the word "By" is used with accounts which appear on the credit side of a Ledger Account. For example in the above case, the words "By Salaries A/c" will appear on the credit side of the Cash Account instead of only "Salaries A/c". The words 'To' and 'By' do not have any specific meanings. Modern accountants are, therefore, ignoring the use of these words.

# 11.5.3 Balancing of an Account

In business, there may be several transactions relating to one particular account. In Journal, these transactions appear on different pages in a chronological order while they appear in a classified form under that particular account in the Ledger. At the end of a period (say a month, a quarter or a year), the businessman will be interested in knowing the position of a particular account. This means, he should total the debits and credits of his account separately and find out the net balance. This technique of finding out the net

balance of an account, after considering the totals of both debits and credits appearing in the account is known as 'Balancing the Account'. The balance is put on the side of the account which is smaller and a reference is given that it has been carried forward or carried down (c/f or c/d) to the next period. On the other hand, in the next period a reference is given that the opening balance has been brought forward or brought down (b/ for b/d) from the previous period. This will be clear with the help of the following illustration.

**Illustration 7:** Journalise the following transactions, post them in the Ledger and balance the accounts as on 31st March, 2016.

- 1. Ram started business with a capital of Rs. 10,000.
- 2. He purchased goods from Mohan on credit Rs. 2,000.
- 3. He paid cash to Mohan Rs. 1,000.
- 4. He sold goods to Suresh Rs. 2,000.
- 5. He received cash from Suresh Rs. 3,000.
- 6. He further purchased goods from Mohan Rs. 2,000.
- 7. He paid cash to Mohan Rs. 1,000.
- 8. He further sold goods to Suresh Rs. 2,000.
- 9. He received cash from Suresh Rs. 1,000

### Solution.

Date	Particulars	NIAI	L.F.	Debit	Credit
	JOUR	INAL		Amount	Amount
				(Rs.)	(Rs.)
	Cash Account	Dr.		10,000	
	To Capital Account				10,000
	(Being commencement of business	s)			
	Purchase Account	Dr.		2,000	
	To Mohan				2,000
	(Being purchase of goods on credit	<b>:</b> )			
	Mohan	Dr.		1,000	
	To Cash				1,000
	(Being payment of cash to Mohan)	1			

Suresh	Dr.	2,000	
To Sales			2,000
(Being good sold to Suresh)			
Cash Account	Dr.	3,000	
To Suresh			3,000
(Being cash received from Suresh)			
Purchases Account	Dr.	2,000	
To Mohan			2,000
(Being purchase of goods from Mo	han)		
Mohan	Dr.	1,000	
To Cash Account			1,000
(Being payment of cash to Mohan)			
Suresh	Dr.	2,000	
To Sales Account			2,000
(Being goods sold to Suresh)			
Cash Account	Dr.	1,000	
To Suresh			1,000
(Being cash received from Suresh)			
		24,000	24,000

# LEDGER ACCOUNT

## CASH ACCOUNT

Date	Particulars	Amount	Date	Particulars	Amount
	To Capital A/c	10,000	2016		
	To Suresh A/c	3,000		By Mohan A/c	1,000
	To Suresh A/c	1,000		By Mohan A/c	1,000
			Mar 31	By Balance c/d	12,000
		14,000			14,000
		12,000			
April 1	To Balance b/d				

# CAPITAL ACCOUNT

Mar 31	To Balance c/d	10,000		By Cash A/c	10,000
		10,000			10,000
			Apr 1	By Balance b/d	10,000

### PURCHASE ACCOUNT

	To Mohan A/c	2,000	March 31	By Balance c/d	4,000
	To Mohan A/c	2,000			
		4,000			4,000
April 1	To Balance b/d	4,000			

### MOHAN ACCOUNT

To Cash A/c	1,000		By Purchases	2,000
To Cash A/c	1,000		By Purchases	2,000
To Balance c/d	2,000			
	4,000			4,000
		April 1	By Balance b/d	2,000

### SURESH ACCOUNT

To Sales A/c	2,000	By Cash A/c	3,000
To Sales A/c	2,000	By Cash A/c	1,000
	4,000		4,000

### SALES ACCOUNT

Mar 31	To Balance c/d	4,000		By Suresh A/c	2,000
				By Suresh A/c	2,000
		4,000			4,000
		,	April 1		,
			Арти	By Balance b/d	4,000

It is to be noted that the balance of an account is always known by the side which is greater. For example, in the above illustration, the debit side of the Cash Account is greater than the credit side by Rs. 12,000. It will be therefore said that Cash Account is showing a debit balance of Rs. 12,000. Similarly, the credit side of the Capital Account is greater than debit side by Rs. 10,000. It will be, therefore, said that the Capital Account is showing a credit balance of Rs. 10,000.

### 11.6 TRIAL BALANCE

In case, the various debit balances and the credit balances of the different accounts are taken down in a statement, the statement so prepared is termed as a 'Trial Balance'. In other words, Trial Balance is a statement containing the various ledger balances on a particular date. If the two sides of the Trial Balance tally. It means the books of accounts are arithmetically accurate.

# **Objectives of Preparing a Trial Balance**

# (i) Checking of the arithmetical accuracy of the accounting entries

As indicated above, Trial Balance helps in knowing the arithmetical accuracy of the accounting entries. This is because according to the dual aspect concept for every debit, there must be an equivalent credit. Trial Balance represents a summary of all ledger balances and, therefore, if the two sides of the Trial Balance tally, it is an indication of this fact that the books of accounts are arithmetically accurate. Of course, there may be certain errors in the books of accounts in spite of an agreed Trial Balance. For example, if a transaction has been completely omitted, from the books of accounts, the two sides of the Trial Balance will tally, in spite of the books of accounts being wrong. This has been discussed in detail later in a separate Chapter.

### (ii) Basis for financial statements

Trial Balance forms the basis for preparing financial statements such as the Income Statement and the Balance Sheet. The Trial Balance represents all transactions relating to different accounts in a summarised form for a particular period. In case, the Trial Balance is not prepared, it will be almost impossible to prepare the financial statements as stated above to know the profit or loss made by the business during a particular period or its financial position on a particular date.

# (iii) Summarised ledger

It has already been stated that a Trial Balance contains the ledger balances on a particular date. Thus, the entire ledger is summarised in the form of a Trial Balance. The position of a particular account can be judged simply by looking at the Trial Balance. The Ledger may be seen only when details regarding the accounts are required.

**Illustration 8:** Journalise the following transactions in the books of trade. Also make their Ledger Postings and prepare a Trial Balance.

**Debit Balances as on Jan. 1, 2016:** Cash in hand Rs. 8,000; Cash at Bank Rs. 25,000; Stock of goods Rs. 20,000; Furniture Rs. 2,000; Building Rs. 10,000; Sundry Debtors-Vijay Rs. 2,000, Anil Rs. 1,000 and Madhu Rs. 2,000.

**Credit Balances on Jan. 1, 2016:** Sundry Creditors-Anand Rs. 5,000; Loan from Bablu Rs. 10,000.

The following were further transactions in the month of Jan, 2016:

- Jan. 1: Purchased goods worth Rs. 5,000 for cash less 20% trade discount and 5% cash discount.
- Jan. 4: Received Rs. 1,980 from Vijay and allowed him Rs. 20 as discount.
- Jan. 6: Purchased goods from Bharat Rs. 5,000.
- Jan. 8: Purchased plant from Mukesh for Rs. 5,000 and paid Rs. 100 as cartage for bringing the plant to the factory and another Rs. 200 as installation charges.
- Jan. 12: Sold goods to Rahim on credit Rs. 600.
- Jan. 15: Rahim became insolvent and could pay only 50 paise in a rupee.
- Jan. 18: Sold goods to Ram for cash Rs. 1,000
- Jan. 20: Paid salary to Ratan Rs. 2,000
- Jan. 21: Paid Anand Rs. 4,800 in full settlement.
- Jan. 26: Interest received from Madhu Rs. 200
- Jan. 28: Paid to Bablu interest on Loan Rs. 500
- Jan. 31: Sold goods for cash Rs. 500
- Jan. 31: Withdraw goods from business for personal use Rs. 200

# Solution

Date	Particulars		L.F.	Debit	Credit
				(Rs.)	(Rs.)
2016	Cash A/c	Dr.		8,000	
Jan 1	Bank A/c	Dr.		25,000	
	Stock A/c	Dr.		20,000	
	Furniture A/c	Dr.		2,000	
	Building A/c	Dr.		10,000	
	Vijay	Dr.		2,000	
	Anil	Dr.		1,000	
	Madhu	Dr.		2,000	
	To Anand				5,000
	To Bablu's Loan A/c				10,000
	To Capital A/c				55,000
	(Being balances brought forward f	rom last			,
	year)				
Jan. 1	Purchase A/c Dr.			4,000	
	To Cash A/c			,	3,800
	To Discount A/c				200
	(Being purchase of goods on disco	ount)			_ = = =
Jan. 4	Cash A/c	Dr.		1,980	
0 3122	Discount A/c	Dr.		20	
	To Vijay	21.		20	2,000
	(Being cash received from Vijay,	allowed			2,000
	discount Rs. 20)	ino wea			
Jan. 6	Purchase A/c	Dr.		5,000	5,000
0 0000	To Bharat	21.		2,000	2,000
	(Being goods purchased)				
Jan. 8	Plant A/c	Dr.		5,300	5,000
<b>3411.</b> 0	To Mukesh	ы.		3,300	300
	To Cash A/c				500
	(Being plant purchased and payme	ent of			
	charges of Rs. 300)				
Jan. 12	Rahim	Dr.		600	600
Jan. 12	To Sales A/c	<b>D</b> 1.		000	000
	(Being sale of goods to Rahim)				
Jan. 15	Cash A/c	Dr.		300	600
Jan. 13	Bad Debts A/c	Dr. Dr.		300	000
	To Rahim	DI.		300	
Ion 10	(Being cash received from Rahim)			1.000	1 000
Jan. 18	Cash A/c	Dr.		1,000	1,000
	To Sales A/c				
	(Being cash sale)				

Jan. 20	Salary A/c	Dr.	2,000	2,000
	To Cash A/c			
	(Being salary paid)			
Jan. 21	Anand	Dr.	5,000	4800
	To Cash A/c			200
	To Discount A/c			
	(Being cash paid to Anand and d	iscount		
	received Rs. 200)			
Jan. 26	Cash A/c	Dr.	200	200
	To interest A/c			
	(Being receipt of interest)			
Jan. 28	Interest on Loan	Dr.	500	500
	To cash A/c			
	(Being payment of interest on loa	an)		
Jan. 31	Cash A/c	Dr.	500	500
	To Sales A/c			
	(Being cash sale)			
Jan. 31	Drawings A/c	Dr.	200	200
	To Purchase A/c			
	(Being goods withdrawn for pers	onal use)		

# **Ledger Posting**

# CASH ACCOUNT

Dr.						Cr.	
Date	Particulars	L.F.	Amount	Date	Particulars	L.F	Amount
			(Rs.)				(Rs.)
Jan 1	To Balance b/d		8,000	Jan.1	By Purchase A/c		3,800
Jan 4	To Vijay		1,980	Jan. 8	By Plant A/c		300
Jan 15	To Rahim		300	Jan. 20	By Salary A/c		2,000
Jan 18	To Sales A/c		1,000	Jan. 21	By Anand		4,800
Jan 26	To Interest A/c		200	Jan. 28	By Interest on loan		500
Jan 31	To Sales A/c		500		A/c		
				Jan. 31	By Balance c/d		580
			11,980				11,980
Feb 1	To Balance b/d		580				

# INTEREST ACCOUNT

_Dr.					Cr.
Jan 31	To Balance b/d	200	Jan.26	By Balance c/d	200
		200			200
			Feb 1	By Balance b/d	200

# BANK ACCOUNT

Jan 1	_		DANK AC	COUNT		
STOCK ACCOUNT	Dr.					Cr.
STOCK ACCOUNT	Jan 1	To Balance b/d	25,000	Jan.31	By Balance c/d	25,000
STOCK ACCOUNT			25,000			25,000
Dr.         Cr.           Jan 1         To Balance b/d         20,000   20,000   20,000         20,000   20,000           Feb 1         To Balance b/d         20,000   20,000   20,000         FURNITURE ACCOUNT           Dr.         Cr.           Jan 1         To Balance b/d         2,000   2,000   2,000   2,000         EVILDING ACCOUNT           Dr.         Cr.           Jan 1         To Balance b/d         10,000   Jan.31   By Balance c/d         10,000   10,000           Feb 1         To Balance b/d         10,000   Jan.31   By Balance c/d         10,000   10,000           Feb 1         To Balance b/d         2,000   Jan.4   By Cash A/c   By Discount A/c         1,980   20,000           Dr.         ANIL ACCOUNT           Dr.         ANIL ACCOUNT           Jan 1         To Balance b/d         1,000   Jan.31   By Balance c/d         1,000   1	Feb 1	To Balance b/d	25,000			
Dr.         Cr.           Jan 1         To Balance b/d         20,000   20,000   20,000         20,000   20,000           Feb 1         To Balance b/d         20,000   20,000   20,000         FURNITURE ACCOUNT           Dr.         Cr.           Jan 1         To Balance b/d         2,000   2,000   2,000   2,000         EVILDING ACCOUNT           Dr.         Cr.           Jan 1         To Balance b/d         10,000   Jan.31   By Balance c/d         10,000   10,000           Feb 1         To Balance b/d         10,000   Jan.31   By Balance c/d         10,000   10,000           Feb 1         To Balance b/d         2,000   Jan.4   By Cash A/c   By Discount A/c         1,980   20,000           Dr.         ANIL ACCOUNT           Dr.         ANIL ACCOUNT           Jan 1         To Balance b/d         1,000   Jan.31   By Balance c/d         1,000   1						<u>.</u>
Jan 1			STOCK AC	CCOUNT	Γ	
To Balance b/d   20,000	Dr.					Cr.
Feb 1	Jan 1	To Balance b/d	20,000	Jan.31	By Balance c/d	20,000
Dr.   FURNITURE ACCOUNT   Cr.     Jan 1			20,000			20,000
Dr.         Cr.           Jan 1         To Balance b/d         2,000   2,000   2,000   2,000   2,000           Feb 1         To Balance b/d         2,000   2,000   2,000   2,000           BUILDING ACCOUNT           Dr.         Cr.           Jan 1         To Balance b/d         10,000   Jan.31   By Balance c/d         10,000   10,0	Feb 1	To Balance b/d	20,000			
Dr.         Cr.           Jan 1         To Balance b/d         2,000   2,000   2,000   2,000   2,000           Feb 1         To Balance b/d         2,000   2,000   2,000   2,000           BUILDING ACCOUNT           Dr.         Cr.           Jan 1         To Balance b/d         10,000   Jan.31   By Balance c/d         10,000   10,0						<u>.</u>
Jan 1			<b>FURNITURE</b>	ACCOU	JNT	
Peb 1   To Balance b/d	Dr.					Cr.
BUILDING ACCOUNT   Dr.	Jan 1	To Balance b/d	2,000	Jan.31	By Balance c/d	2,000
BUILDING ACCOUNT   Cr.			2,000			2,000
Dr.         Cr.           Jan 1         To Balance b/d         10,000	Feb 1	To Balance b/d	2,000			
Dr.         Cr.           Jan 1         To Balance b/d         10,000   10,000   10,000   10,000         10,000   10,000           Feb 1         To Balance b/d         10,000   10,000         To Section   10,000   10,000           Dr.         Cr.         Cr.           Jan 1         To Balance b/d         2,000   Jan.4   By Cash A/c By Discount A/c         1,980   20   2,000           To Balance b/d         2,000   Jan.4   By Discount A/c         20   2,000           Dr.         Cr.           Jan 1         To Balance b/d         1,000   Jan.31   By Balance c/d         1,000   1,000   1,000           Feb 1         To Balance b/d         1,000   1,000   1,000         To Discount A/c         Cr.           Jan 21         To Cash A/c Joint A/c         4,800 Jan.1   By Balance c/d         5,000   5,000   5,000   5,000						
Dr.         Cr.           Jan 1         To Balance b/d         10,000						
Jan 1			BUILDING A	ACCOU	NT	
To Balance b/d   10,000   10,000     10,000	Dr.					Cr.
To Balance b/d   10,000	Jan 1	To Balance b/d	10,000	Jan.31	By Balance c/d	10,000
VIJAY ACCOUNT   Cr.     Jan 1			10,000			10,000
Dr.         Cr.           Jan 1         To Balance b/d         2,000   Jan.4   By Cash A/c By Discount A/c         1,980   20   20   20   2,000           ANIL ACCOUNT           Dr.         Cr.           Jan 1         To Balance b/d         1,000   Jan.31   By Balance c/d         1,000   1,000   1,000           Feb 1         To Balance b/d         1,000   To Discount A/c         Cr.           Dr.         Cr.         Cr.           Jan 21   To Cash A/c Jan 21   To Discount A/c         4,800   Jan.1   By Balance c/d         5,000   5,000   Colspan="2">5,000	Feb 1	To Balance b/d	10,000			
Dr.         Cr.           Jan 1         To Balance b/d         2,000   Jan.4   By Cash A/c By Discount A/c         1,980   20   20   20   2,000           ANIL ACCOUNT           Dr.         Cr.           Jan 1         To Balance b/d         1,000   Jan.31   By Balance c/d         1,000   1,000   1,000           Feb 1         To Balance b/d         1,000   To Discount A/c         Cr.           Dr.         Cr.         Cr.           Jan 21   To Cash A/c Jan 21   To Discount A/c         4,800   Jan.1   By Balance c/d         5,000   5,000   Colspan="2">5,000			<u> </u>			<u> </u>
Jan 1         To Balance b/d         2,000         Jan.4         By Cash A/c By Discount A/c         1,980 20           ANIL ACCOUNT           Dr.         Cr.           Jan 1         To Balance b/d         1,000 1,000 1,000         Jan.31 By Balance c/d         1,000 1,000 1,000           Feb 1         To Balance b/d         1,000 1,000         To Cr.         Cr.           ANAND ACCOUNT         Cr.         Cr.           Jan 21         To Cash A/c To Discount A/c         4,800 Jan.1 By Balance c/d         5,000 5,000			VIJAY AC	CCOUNT		
To Balance b/d   Z,000   By Discount A/c   20   2,000	Dr.					Cr.
To Balance b/d   2,000   2,000     2,000	Jan 1	To Balance b/d	2,000	Jan.4	By Cash A/c	1,980
ANIL ACCOUNT  Dr.  Cr.  Jan 1 To Balance b/d 1,000 Jan.31 By Balance c/d 1,000  Feb 1 To Balance b/d 1,000  ANAND ACCOUNT  Dr.  Cr.  ANAND ACCOUNT  Dr.  Cr.  Cr.  Jan 21 To Cash A/c 4,800 Jan.1 By Balance c/d 5,000  Jan 21 To Discount A/c 200					By Discount A/c	20
Dr.         Cr.           Jan 1         To Balance b/d         1,000 / 1,000         Jan.31         By Balance c/d         1,000 / 1,000           Feb 1         To Balance b/d         1,000 / 1,000         To Constant and the property of		To Balance b/d	2,000			2,000
Dr.         Cr.           Jan 1         To Balance b/d         1,000 / 1,000 / 1,000         By Balance c/d         1,000 / 1,000           Feb 1         To Balance b/d         1,000 / 1,000         To Cr.           ANAND ACCOUNT           Dr.         Cr.           Jan 21         To Cash A/c / To Discount A/c         4,800 / 200 / 200         Jan .1 / 200 / 200         By Balance c/d         5,000 / 200			<u> </u>			<u>.</u>
Jan 1         To Balance b/d         1,000   1,000   1,000         By Balance c/d         1,000   1,000           Feb 1         To Balance b/d         1,000   1,000         1,000           ANAND ACCOUNT           Dr.         Cr.           Jan 21         To Cash A/c   To Discount A/c         4,800   Jan.1   By Balance c/d         5,000   5,000   5,000			ANIL AC	COUNT		
To Balance b/d   1,000   1,000   1,000   1,000     1,000	Dr.					Cr.
To Balance b/d   1,000   1,000   1,000     1,000		To Balance b/d	1,000	Jan.31	By Balance c/d	
Feb 1         To Balance b/d         1,000           ANAND ACCOUNT           Dr.         Cr.           Jan 21         To Cash A/c         4,800         Jan.1         By Balance c/d         5,000           Jan 21         To Discount A/c         200			<u> </u>			
ANAND ACCOUNT  Dr.    Jan 21   To Cash A/c   4,800   Jan.1   By Balance c/d   5,000     Jan 21   To Discount A/c   200	Feb 1	To Balance b/d	<u> </u>			,,,,,
Dr.         Cr.           Jan 21         To Cash A/c         4,800         Jan.1         By Balance c/d         5,000           Jan 21         To Discount A/c         200         Sometimes and the control of th	<u> </u>	1			l	I
Dr.         Cr.           Jan 21         To Cash A/c         4,800         Jan.1         By Balance c/d         5,000           Jan 21         To Discount A/c         200         Sometimes and the control of th			ANAND A	CCOUN'	T	
Jan 21         To Cash A/c         4,800         Jan.1         By Balance c/d         5,000           Jan 21         To Discount A/c         200         Stan.1         By Balance c/d         5,000	Dr.			,		Cr.
Jan 21 To Discount A/c 200		To Cash A/c	4.800	Jan.1	By Balance c/d	
				_		- , - , -
5.000     5.000			5,000			5,000

# CAPITAL ACCOUNT

Dr.			100001		Cr.
Jan 31	To Balance c/d	55,000	Jan.1	By Balance b/d	55,000
		55,000			55,000
			Feb 1	By Balance b/d	55,000
		DADING LOA	NI ACCO		
Dr.		BABU'S LOA	.N ACCO	OUNT	Cr.
Jan 31	To Balance c/d	10,000	Jan.1	By Balance b/d	10,000
Jan 31	To Datanee C/u	10,000	Jan. 1	By Balance o/u	10,000
		10,000	Feb 1	By Balance b/d	10,000
		l l	<u> </u>		, , , , , , , , , , , , , , , , , , ,
		PURCHASE	ACCOU	INT	
Dr.					Cr.
Jan 1	To Cash A/c	3,800	Jan.31	By Drawing A/c	200
Jan 1	To Discount A/c	200	Jan 31	By Balance b/d	8,800
Jan 6	To Bharat	5,000	_		0.000
Feb 1	To Balance b/d	9,000	<u> </u>		9,000
red 1	10 Balance 0/u	8,800			
		DISCOUNT	ACCOU	NT	
Dr.		218666111	110000		Cr.
Jan 4	To Vijay	20	Jan.1	By Purchases A/c	200
Jan. 31	To Balance c/d	380	Jan.21	By Anand	200
		400			400
			Feb 1	By Balance b/d	380
			, again		
D <sub>m</sub>		BHARAT A	ACCOUN	NT.	C
Dr. Jan 31	To Balance b/d	5,000	Jan.6	By Purchases A/c	Cr. 5,000
Jan 31	To Balance 0/u	3,000	Jan.0	By Fulchases A/C	3,000
		5,000	_		5,000
		3,000	Feb. 1	By Balance b/d	5,000
	1	<u> </u>	I	1 -	1 2,000
		PLANT A	.CCOUN	Γ	
Dr.					Cr.
Jan 8	To Mukesh A/c	5,000	Jan.31	By Balance c/d	5,300
Jan 8	To Cash A/c	300			
F 1 1	T D 1 1/1	5,300			5,300
Feb 1	To Balance b/d	5,300			
	Γ	NTEREST ON L	OANAC	'COLINT	
Dr.	1.	MILKESI ON L	OAN AC	COUNT	Cr.
Jan 28	To Cash A/c	500	Jan.31	By Balance c/d	500
Juli 20					
Feb 1	To Balance b/d	500	-		500
		500			

### MUKESH ACCOUNT

		MUKES	H ACCOUN	NT	
Dr.					Cr.
Jan 31	To Balance b/d	5,00	00 Jan.8	By Plant A/c	5,000
		5,00	00		5,000
		Í	Feb. 1	By Balance b/d	5,000
		CALEC	ACCOUN	т	
Dr.		SALES	ACCOUN	1	Cr.
Jan 31	To Balance c/d	2,10	00 Jan.12	By Rahim	600
			Jan.18	By Cash A/c	1,000
			Jan.31	By Cash A/c	500
		2,10	00		2,100
			Feb. 1	By Balance b/d	2,100
		RAHIM	I ACCOUN	Т	
Dr.					Cr.
Jan 12	To Sales A/c	60	00 Jan.15	By Cash A/c	300
			Jan.15	By Bad Debts A/c	300
		60	00		600
		D. D. D. D. D.	TG + GGG*	7.4	
Dr.		BAD DEE	TS ACCOU	JNT	Cr.
Jan 15	To Rahim A/c	30	00 Jan. 31	By Balance c/d	300
Jan 13	10 Kallilli A/C	30		by balance c/u	
Feb 1	To Balance b/d	30			300
1.00 1	10 Datatice 0/u	] 30	00		
		SALAR	Y ACCOUN	NT	
Dr.					Cr.
Jan 20	To Rahim A/c	2,00	00 Jan. 31	By Balance b/d	2,000
		2,00			2,000
Feb 1	To Balance b/d	2,00			
		DB V M/IV	IG ACCOU	NT	
Dr.		DIVAWII	IO ACCOU	1 N 1	Cr.
Jan 31	To Purchases A/c	20	00 Jan. 31	By Balance b/d	200
		20		<i>j</i> =	200
Feb 1	To Balance b/d	20			
			/	1	

# TRIAL BALANCE (AS ON 31<sup>st</sup> JANUARY 2016)

(AS ON 31 JAI	NUAK 1 2010)	
Particular	Debit	Credit
	Amount	Amount
Cash Account	580	
Interest Account		200
Bank Account	25,000	
Stock Account	20,000	
Furniture Account	2,000	
Building Account	10,000	
Anil	1,000	
Madhu	2,000	
Capital Account		55,000
Babu's Loan Account		10,000
Purchases Account	8,800	
Discount Account		380
Bharat		5,000
Plant Account	5,300	
Interest on Loan Account	500	
Mukesh		5,000
Sales Account		2,100
Bad Debts Account	300	
Salary Account	2,000	
Drawings Account	200	
	77,680	77,680

# 

## 11.7 TRADINGACCOUNT

After the preparation of trial balance, the next step is to prepare Trading Account. Trading Account is one of the financial statements which shows the result of buying and selling of goods and/or services during an accounting period. The main objective of preparing the Trading Account is to ascertain gross profit or gross loss during the accounting period. Gross Profit is said to have made when the sale proceeds exceed the cost of goods sold. Conversely, when sale proceeds are less than the cost of goods sold, gross loss is incurred. For the purpose of calculating cost of goods sold, we have take into consideration opening stock, purchases, direct expenses on purchasing or manufacturing the goods and closing stock. The balance of this account i.e. gross profit or gross loss is transferred to the Profit and Loss Account. The specimen of a Trading Account is given below:

TRADING ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2016

FOR THE YEAR ENDED 31" MARCH, 2016			
Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Opening Stock		By Sales	
To Purchases		Less: Sales Returns	
Less:Purchases Returns		By Closing Stock	
To Direct Expenses:		By Gross Loss	
Carriage Inward		transferred to P & L A/c	
Wages			
Fuel, Power and Lighting			
Expenses			
Manufacturing Expenses			
Coal, Water and Gas			
Motive Power			
Octroi			
Import Duty			
Custom Duty			
Consumable Stores			
Freight and Insurance			
Royalty on manufactured			
Goods			
Packing charges			
To Gross Profit transferred to P&L			
A/c			

## 11.7.1 Important points regarding trading account

### 1. Stock

The term 'stock' includes goods lying unsold on a particular date. The stock may be of two types:

- (a) Opening stock
- (b) Closing stock

Opening stock refers to the closing stock of unsold goods at the end of previous accounting period which has been brought forward in the current accounting period. This is shown on the debit side of the Trading Account.

Closing stock refers to the stock of unsold goods at the end of the current accounting period. Closing stock is valued either at cost price or at market price whichever is less. Such valuation of stock is based on the principle of conservatism which lays down that the expected profit should not be taken into account but all possible losses should be duly provided for.

Closing stock is an item which is not generally available in the trial balance. If it is given in Trial Balance, it is not to be shown on the credit side of Trading Account but appears only in the Balance Sheet as an asset. But if it is given outside the trial balance, it is to be shown on the credit side of the Trading Account as well as on the asset side of the Balance Sheet.

### 2. Purchases

Purchases refer to those goods which have been bought for resale. It includes both cash and credit purchases of goods. The following items are shown by way of deduction from the amount of purchases:

- (a) Purchases Returns or Return Outwards.
- (b) Goods withdrawn by proprietor for his personal use.
- (c) Goods received on consignment basis or on approval basis or on hire purchase.

- (d) Goods distributed by way of free samples.
- (e) Goods given as charity.

# 3. Direct Expenses

Direct expenses are those expenses which are directly attributable to the purchase of goods or to bring the goods in saleable condition. Some examples of direct expenses are as under:

- (a) Carriage Inward: Carriage paid for bringing the goods to the godown is treated as carriage inward and it is debited to Trading Account.
- **(b) Freight and insurance:** Freight and insurance paid for acquiring goods or making them saleable is debited to Trading Account. If it is paid for the sale of goods, then it is to be charged (debited) to Profit and Loss Account.
- Wages: Wages incurred in a business is direct, when it is incurred on manufacturing or merchandise or on making it saleable. Other wages are indirect wages. Only direct wages are debited to the Trading Account. Other wages are debited to the Profit and Loss Account. If it is not mentioned whether wages are direct or indirect, it should be assumed as direct and should appear in the Trading Account.
- (d) Fuel, Power and Lighting Expenses: Fuel and power expenses are incurred for running the machines. Being directly related to production, these are considered as direct expenses and debited to Trading Account. Lighting expenses of factory is also charged to Trading Account, but lighting expenses of administrative office or sales office are charged to Profit and Loss Account.
- **Octroi:** When goods are purchased within municipality limits, generally octroi duty has to be paid on it. It is debited to Trading Account.
- (f) Packing Charges: There are certain types of goods which cannot be sold without a container or proper packing. These form a part of the finished product. One example is ink, which cannot be sold without a bottle. These types of packing charges are debited to Trading Account. But if the goods are packed for their safe despatch to customers, i.e. packing meant for transportation or fancy packing meant for advertisement will appear in the Profit and Loss Account.

- Manufacturing Expenses: All expenses incurred in manufacturing the goods in **(g)** the factory such in factory rent, factory insurance etc. are debited to Trading Account.
- **Royalties:** These are the payments made to a patentee, author or landlord for the (h) right to use his patent, copyright or land. If royalty is paid on the basis of production, it is debited to Trading Account and if it is paid on the basis of sales, it is debited to Profit and Loss Account.

#### Sales 4.

Sales include both cash and credit sales of those goods which were purchased for resale purposes. Some customers might return the goods sold to them (called sales return) which are deducted from the sales in the inner column and net amount is shown in the outer column. While ascertaining the amount of sales, the following points need attention:

- (a) If a fixed asset such as furniture, machinery etc. is sold, it should not be included in sales.
- (b) Goods sold on consignment or on hire purchase or on sale or return basis should be recorded separately.
- (c) If goods have been sold but not yet despatched, these should not be shown under sales but are to be included in closing stock.
- Sales of goods on behalf of others and forward sales should also be excluded (d) from sales.

# 11.7.2 Closing entries for trading account

The journal entries necessary to transfer opening stock, purchases, sales and returns to the Trading Account are called closing entries, as they serve to close these accounts. These are as follows:

1.	For transfer of opening stock, net purchases and direct expenses to Tradir			
	Trading A/c	Dr.		

To Stock (Opening) A/c

To Purchases A/c

To Direct Expenses A/c

(Being opening stock, purchases and direct expenses transferred to Trading Account)

Dr.

2. For transfer of net sales and closing stock to Trading A/c

Sales A/c

Stock (Closing) A/c Dr.

To Trading A/c

(Being sales, closing stock transferred to Trading Account)

3. (a) For Gross Profit

Trading A/c Dr.

To Profit & Loss A/c

(Being gross profit transferred to Profit and Loss Account)

(b) For Gross Loss

Profit & Loss A/c Dr.

To Trading A/c

(Being gross loss transferred to Profit and Loss Account)

**Illustration 9:** From the following balances extracted from the books of Mr. Bansi Lal, prepare the Trading Account for the year ending 31st March, 2016.

Purchases	42,500	Wages	5,000
Mfg. expenses	1,950	Op. Stock	10,000
Sales	67,500	Sales returns	50
Carriage inwards	100	Purchases returns	200
Freight and duty	5,000		
Stores consumed	200		
Power	300		

The value of stock unsold is Rs. 12,000.

### **Solution**

TRADING ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2016

To Opening stock		10,000	By Sales	67,500	
To Purchases	42,500		Less returns	50	67,450
Less returns	200_	42,300	By Closing Stock		12,000
To Manufacturing exp.		1,950			
To Carriage inwards		100			
To Freight and duty		5,000			
To Stores consumed		200			
To Power		300			
To Wages		5,000			
To Gross Profit transferred		14,600			
to Profit & Loss A/c					
		79,450			79,450

### 11.8 PROFITAND LOSS ACCOUNT

Trading Account results in the gross profit/loss made by a businessman on purchasing and selling of goods. It does not take into consideration the other operating expenses incurred by him during the course of running the business. Besides this, a businessman may have other sources of income. In order to ascertain the true profit or loss which the business has made during a particular period, it is necessary that all such expenses and incomes should be considered. Profit and Loss Account considers all such expenses and incomes and gives the net profit made or net loss suffered by a business during a particular period. All the indirect revenue expenses and losses are shown on the debit side of the Profit and Loss Account, where as all indirect revenue incomes are shown on the credit side of the Profit and Loss Account.

Profit and Loss Account measures net income by matching revenues and expenses according to the accounting principles. Net income is the difference between total revenues and total expenses. In this connection, we must remember that all the expenses, for the period are to be debited to this account - whether paid or not. If it is paid in advance or outstanding, proper adjustments are to be made. Likewise all revenues, whether received or not are to be credited. Revenue if received in advance or accrued but not received, proper adjustment is required.

A proforma of the Profit and Loss Account showing probable items therein is as follows:

	Rs.		Rs.
To Gross Loss b/d		By Gross Profit b/d	
To Selling and Distribution Expenses:		By Other Income:	
Advertisement		Discount received	
Travellers' Salaries		Commission received	
Expenses & Commission		By Non-trading Interest:	
Godown Rent		Bank Interest	
Export Expenses		Rent of property let-out	
Carriage Outwards		Dividend from shares	
Bank Charges		By Abnormal Gains:	
Agent's Commission		Profit on sale of machinery	
Upkeep of Motor Lorries		Profit on sale of investment	
To Management Expenses:		By Net Loss transferred to	
Rent, Rates and Taxes		Capital Account	
Heating and Lighting			
Office Salaries			
Printing & Stationary			
Postage & Telegrams			
Telephone Charges			
Legal Charges			
Audit Fees			
Insurance			
General Expenses			
To Depreciation and Maintenance:			
Depreciation			
Repairs & Maintenance			
To Financial Expenses:			
Discount Allowed			
Interest on Loans			
Discount on Bills			
To Abnormal Losses:			
Loss by fire (not covered by Insurance)			
Loss on Sale of Fixed Assets			
Loss on Sale of Investments			
To Net profit transferred to Capital A/c			

# 11.8.1 Important points in Profit and Loss account

# 1. Selling and Distribution Expenses

These expenses are incurred for promoting sales and distribution of sold goods. Example of such expenses are godown rent, carriage outwards, advertisement, cost of after sales service, selling agents commission, etc.

## 2. Management Expenses

These are the expenses incurred for carrying out the day-to-day administration of a business. Expenses, under this head, include office salaries, office rent and lighting, printing and stationery and telegrams, telephone charges, etc.

# 3. Maintenance Expenses

These expenses are incurred for maintaining the fixed assets of the administrative office in a good condition. They include repairs and renewals, etc.

# 4. Financial Expenses

These expenses are incurred for arranging finance necessary for running the business. These include interest on loans, discount on bills, etc.

### 5. Abnormal Losses

There are some abnormal losses that may occur during the accounting period. All types of abnormal losses are treated as extra ordinary expenses and debited to Profit and Loss Account. Examples are stock lost by fire and not covered by insurance, loss on sale of fixed assets, etc. Following are the expenses not to appear in the Profit and Loss Account:

- (i) Domestic and household expenses of proprietor or partners.
- (ii) Drawings in the form of cash, goods by the proprietor or partners.
- (iii) Personal income tax and life insurance premium paid by the firm on behalf of proprietor or partners.

### 6. Gross Profit

This is the balance of the Trading Account transferred to the Profit and Loss Account. If the Trading Account shows a gross loss, it will appear on the debit side.

## 7. Other Income

During the course of the business, other than income from the sale of goods, the business may have some other income of financial nature. The examples are discount or commission received.

# 8. Non-trading Income

Such incomes include interest on bank deposits, loans to employees and investment in debentures of companies. Similarly, dividend on investment in shares of companies and units of mutual funds are also known as non-trading incomes and shown in Profit and Loss Account.

### 9. Abnormal Gains

There may be capital gains arising during the course of the year, e.g., profit arising out of sale of a fixed asset. Such profit is shown as a separate income on the credit side of the Profit and Loss Account.

## 11.8.2 Closing entries for Profit and Loss account

(i)	For transfer of various expenses t	o Profit & Loss A/c
	Profit and Loss A/c	Dr.

To Various Expenses A/c

(Being various indirect expenses transferred to Profit and Loss Account)

(ii) For transfer of various incomes and gains to Profit & Loss A/c

Various Incomes & Gains A/c Dr.

To Profit & Loss A/c

(Being various incomes & gains transferred to Profit and Loss Account)

(iii) (a) For Net Profit

Profit & Loss A/c Dr.

To Capital A/c

(Being Net Profit transferred to capital)

(b) For Net Loss

Capital A/c Dr

To Profit & Loss A/c

(Being Net Loss transferred to Capital Account)

**Illustration 10**: From the following balances extracted at the close of year ended 31 March, 2016, prepare Profit and Loss Account as at that date:

	Rs.		Rs.
Gross Profit	51,000	Discount (Dr.)	500
Carriage Outward	2,500	Apprentice Premium (Cr.)	1,500
Salaries	5,500	Printing & Stationary	250
Rent	1,100	Rates & Taxes	350
Fire Insurance Premium	900	Travelling Expenses	200
Bad Debts	2,100	Sundry Trade Expenses	300
Commission Received	1,000	Discount allowed by Creditors	800

## Solution

# PROFIT & LOSS ACCOUNT OF M/S...... FOR THE YEAR ENDED 31ST MARCH, 2016

Particular	Rs.	Particular	Rs
To Carriage Outward	2,500	By Gross Profit b/d	51,000
To Salaries	5,500	By Apprentice Premium	1,500
To Rent	1,100	By Discount by Creditors	800
To Fire Insurance Premium	900	By Commission	1,000
To Bad Debts	2,100		
To Discount	500		
To Printing & Stationary	250		
To Rent & Taxes	350		
To Travelling Expenses	200		
To Sundry Trade Expenses	300		
To Net Profit transferred to	40,600		
Capital A/c			
	54,300		54,300

# 11.8.3 Distinction between trading account and Profit and Loss Account

	Profit and Loss Account	Trading Account
1	Profit and Loss Account is prepared as a main account.	Trading Account is prepared as a part or section of the Profit and Loss Account.
2	Indirect expenses are taken in Profit and Loss Account.	Direct Expenses are taken in Trading Account.
3	Net Profit or Net Loss is ascertained from the Profit and Loss Account.	Gross Profit or Gross Loss is ascertained from Trading Account.
4	The balance of the Profit and Loss Account i.e. Net Profit or Net Loss is transferred to proprietor's Capital Account.	The Balance of the Trading Account i.e. Gross Profit or Gross Loss is transferred to the Profit and Loss Account.
5	Items of accounts written in the Profit and Loss Account are much more as compared to the Trading Account.	Items of account written in the Trading Account are few as compared the Profit and Loss Account.

### 11.9 BALANCE SHEET

A Balance Sheet is a statement of financial position of a business concern at a given date. It is called a Balance Sheet because it is a sheet of balances of those ledger accounts which have not been closed till the preparation of Trading and Profit and Loss Account. After the preparation of Trading and Profit and Loss Account the balances left in the trial balance represent either personal or real accounts. In other words, they either represent assets or liabilities existing on a particular date. Excess of assets over liabilities represent the capital and is indicative of the financial soundness of a company.

A Balance Sheet is also described as a "Statement showing the Sources and Application of Capital". It is a statement and not an account and prepared from real and personal accounts. The left hand side of the Balance Sheet may be viewed as description of the sources from which the business has obtained the capital with which it currently

operates and the right hand side as a description of the form in which that capital is invested on a specified date.

## 11.9.1 Characteristics of Balance Sheet

The characteristics of a Balance Sheet are summarised as under:

- (a) A Balance Sheet is only a statement and not an account. It has no debit side or credit side. The headings of the two sides are 'Assets' and 'Liabilities'.
- (b) A Balance Sheet is prepared at a particular point of time and not for a particular period. The information contained in the Balance Sheet is true only at that particular point of time at which it is prepared.
- (c) A Balance Sheet is a summary of balances of those ledger accounts which have not been closed by transfer to Trading and Profit and Loss Account.
- (d) A Balance Sheet shows the nature and value of assets and the nature and the amount of liabilities at a given date.

### 11.9.2 Classification of assets and liabilities

### 1. Assets

Assets are the properties possessed by a business and the amount due to it from others. The various types of assets are:

- (a) Fixed Assets: All assets that are acquired for the purpose of using them in the conduct of business operations and not for reselling to earn profit are called fixed assets. These assets are not readily convertible into cash in the normal course of business operations. Examples are land and building, furniture, machinery, etc.
- **(b) Current Assets:** All assets which are acquired for reselling during the course of business are to be treated as current assets. Examples are cash and bank balances, inventory, accounts receivables, etc.
- **Tangible Assets:** There are definite assets which can be seen, touched and have volume such as machinery, cash, stock, etc.

- (d) Intangible Assets: Those assets which cannot be seen, touched and have no volume but have value are called intangible assets. Goodwill, patents and trade marks are examples of such assets.
- **(e) Fictitious Assets:** Fictitious assets are not assets at all since they are not represented by any tangible possession. They appear on the asset side simply because of a debit balance in a particular account not yet written off e.g. provision for discount on creditors, discount on issue of shares etc.
- **(f) Wasting Assets:** Such assets as mines, quarries etc. that become exhausted or reduce in value by their working are called wasting assets.
- **Contingent Assets:** Contingent assets come into existence upon the happening of a certain event or the expiry of a certain time. If that event happens, the asset becomes available otherwise not, for example, sale agreement to acquire some property, hire purchase contracts etc.

In practical no reference is made to contingent assets in the Balance Sheet. At the most, they may form part of notes to the Balance Sheet.

### 2. Liabilities

A liability is an amount which a business is legally bound to pay. It is a claim by an outsider on the assets of a business. The liabilities of a business concern may be classified as:

- (a) Long Term Liabilities: The liabilities or obligations of a business which are not payable within the next accounting period but will be payable within next five to ten years are known as long term liabilities. Public deposits, debentures, bank loan are the examples of long term liabilities.
- **(b) Current Liabilities:** All short term obligations generally due and payable within one year are current liabilities. This includes trade creditors, bills payable etc.
- **Contingent Liabilities:** A contingent liability is one which is not an actual liability. They become actual on the happenings of some event which is uncertain. In other words, they would become liabilities in the future provided the contemplated event

occurs. Since such a liability is not actual liability it is not shown in the Balance Sheet. Usually it is mentioned in the form of a footnote below the Balance Sheet.

## 11.9.3 Marshalling of assets and liabilities

The arrangement of assets and liabilities in a particular order is called marshalling of the Balance Sheet. Assets and liabilities can be arranged in the Balance Sheet into two ways:

- (a) In order of liquidity.
- (b) In order of permanence.

When assets and liabilities are arranged according to their reliability and payment preferences, such an order is called liquidity order. Such arrangement is given below in Balance Sheet (A). When the order is reversed from that what is followed in liquidity, it is called order of permanence. In other words, assets and liabilities are listed in order of permanence. This order of Balance Sheet is given below in Balance Sheet (B).

# BALANCE SHEET (A) (IN ORDER OF LIQUIDITY)

Liabilities	Rs.	Assets	Rs.
Bills payable		Cash in hand	
Loans		Cash at bank	
Sundry creditors		Investments	
Outstanding expenses		Sundry debtors	
Reserves		Bills receivable	
Capital		Stock-in-trade	
Add: Net Profit		Loose tools	
Add: Interest		Fixtures and fittings	
Less: Drawings		Plant and machinery	
		Building	
		Land	
		Goodwill	

## BALANCE SHEET (A) (IN ORDER OF LIQUIDITY)

Liabilities	Rs.	Assets	Rs.
Bills payable		Cash in hand	
Loans		Cash at bank	
Sundry creditors		Investments	
Outstanding expenses		Sundry debtors	
Reserves		Bills receivable	
Capital		Stock-in-trade	
Add: Net Profit		Loose tools	
Add: Interest		Fixtures and fittings	
Less: Drawings		Plant and machinery	
		Building	
		Land	
		Goodwill	

# BALANCE SHEET (B) (IN ORDER OF PERMANENCE)

Liabilities	Rs.	Assets	Rs.
Capital		Goodwill	
Add: Net Profit		Land Building	
Add: Interest		Plant and machinery	
Less: Drawings Reserves		Fixtures and fittings	
Outstanding expenses		Loose tools	
Sundry creditors		Stock-in-trade	
Loans		Bills receivable	
Bills payable		Sundry debtors	
		Investments	
		Cash at bank	
		Cash in hand	

**Illustration 11**: The following balances are extracted from the books of Kautilya & Co. on 31st March, 2016. You are required prepare the Trading and Profit and Loss Account and a Balance Sheet as on that date.

	Rs.		Rs.
Stock on April, 1	500	Commission (Cr.)	200
B/R	2,250	Returns Outwards	250
Purchases	19,500	Trade Expenses	100
Wages	1,400	Office Fixtures	500
Insurance	550	Cash in Hand	250
Sundry Debtors	15,000	Cash at Bank	2,375
Carriage Inwards	400	Rent & Taxes	550
Commission (Dr.)	400	Carriage Outwards	725
Interest on Capital	350	Sales	25,000
Stationary	225	Bills Payable	1,500
Returns Inwards	650	Creditors	9,825
		Capital	8,950

The closing stock was valued at Rs.12,500.

## **Solution**

# TRADING & PROFIT AND LOSS A/C OF MESSRS KAUTILYA & CO. FOR THE YEAR ENDED 31ST MARCH, 2016

Rs.	Rs.	Rs.	Rs.
To Opening stock	500	By Sales 25,000	
To Purchases 19,500		Less returns <u>650</u>	24,350
Less: returns 250	19,250	By Closing Stock	12,500
To Wages	1,400		
To Carriage Inwards	400		
To Gross Profit c/d	15,300		
	36,850		36,850
To Insurance	550	By Gross Profit b/d	15,300
To Commission	400	By Commission	200
To Interest on Capital	350		
To Stationary	225		
To Trade Expenses	100		
To Rent and Taxes	550		
To Carriage Outwards	725		
To Net Profit transferred to			
Capital A/c	12,600		
	15,500		15,500

## BALANCE SHEET OF MESSERS KAUTILYA & CO AS ON 31ST MARCH, 2016

Liabilities	Amount	Assets	Amount
	(Rs.)		(Rs.)
Creditors	9,825	Cash in Hand	250
Bills Payable	1,500	Cash at Bank	2,375
Capital 8,950		Bill Receivable	2,250
Add Net Profit 12,600	21,550	Stock	12,500
		Sundry Debtors	15,000
		Office Fixtures	500
	32,875		32,875

#### 11.10 ADJUSTMENTS IN TRADING AND P&L A/C

While preparing trading and Profit and Loss account one point that must be kept in mind is that expenses and incomes for the full trading period are to be taken into consideration. For example if an expense has been incurred but not paid during that period, liability for the unpaid amount should be created before the accounts can be said to show the profit or loss. All expenses and incomes should properly be adjusted through entries. These entries which are passed at the end of the accounting period are called adjusting entries. Some important adjustments which are to be made at the end of the accounting year are discussed in the following pages.

1. Closing Stock: This is the stock which remained unsold at the end of the accounting period. Unless it is considered while preparing the trading account, the gross profit shall not be correct. Adjusting entry for closing stock is as under:

Closing stock Account Dr. To Trading account

(Being closing stock brought in to books)

#### Treatment in final accounts

- (i) Closing stock is shown on the credit side of Trading account.
- (ii) At same value it will be shown as an asset in the balance sheet.

2. Outstanding Expenses: Those expenses which have become due and have not been paid at the end of the accounting year, are called outstanding expenses. For example, the businessman has paid rent only for 4 months instead of one year. This means 8 months' rent is outstanding. In order to bring this fact into books of accounts, the following adjustment entry will be passed at the end of the year:

Rent A/c Dr.

To outstanding Rent A/c

(Being rent outstanding for 8 months)

The two fold effect of the above adjustment will be (i) the amount of outstanding rent will be added to the rent on the debit side of Profit and Loss Account, and (ii) outstanding rent will be shown on the liability side of the Balance Sheet.

or paid for the future period which is not yet over or not yet expired. The benefit of such expenses is to be enjoyed during the next accounting period. Since, such expenses have already been paid, they have also recorded in the books of account of that period for which they do not relate. For example, insurance premium paid for one year Rs.3,600 on 1st July, 2006. The final accounts are prepared on 31st March, 2007. The benefit of the insurance premium for the period from 1st April to 30th June, 2007 is yet to expire. Therefore, the insurance premium paid for the period from 1st April 2007 to 30th June, 2007, i.e. for 3 months, shall be treated as "Prepaid Insurance Premium".

The adjustment entry for prepaid expenses is as under:

Prepaid Expenses Account

Dr.

To Expenses Account

(Being the adjustment entry for prepaid expenses)

The amount of prepared expenses will appear as an asset in the Balance Sheet while amount of appropriate expense account will be shown in the Profit and Loss Account by way of deduction from the said expense.

4. Accrued Income: Accrued income means income which has been earned during the current accounting year and has become due but not received by the end of the current accounting period. Examples of such income are income from investments, dividend on shares etc. The adjustment entry for accrued income is as under:

Accrued Income A/c

Dr.

To Income A/c

(Being the adjustment entry for accrued income)

## Treatment in final accounts

- (i) The amount of accrued income is added to the relevant item of income on the credit side of the Profit and Loss Account to increase the amount of income for the current year.
- (ii) The amount of accrued income is a debt due from a third party to the business, so it is shown on the assets side of the Balance Sheet.
- 5. Income Received in Advance: Income received but not earned during the current accounting year is called as income received in advance. For example, if building has been given to a tenant on Rs.2,400 p.a. but during the year Rs.3,000 has been received, then Rs.600 will be income received in advance. In order to bring this into books of account, the following adjusting entry will be made at the end of the accounting year:

Rent A/c Dr. Rs.600
To Rent Received in Advance A/c Rs.600

The two-fold effect of this adjustment will be:

- (i) It is shown on the credit side of Profit and Loss account by way of deduction from the income, and
- (ii) It is shown on the liabilities side of the Balance Sheet as income received in advance.
- **6. Depreciation:** Depreciation is the reduction in the value of fixed asset due to its use, wear and tear or obsolescence. When an asset is used for earning purposes, it is necessary that reduction due to its use, must be charged to the Profit and Loss account of

that year in order to show correct profit or loss and to show the asset at its correct value in the Balance Sheet. There are various methods of charging depreciation on fixed assets. Suppose machinery for Rs.10,000 is purchased on 1.1.98, 20% p.a. is the rate of depreciation. Then Rs.2,000 will be depreciation for the year 1998 and will be brought into account by passing the following adjusting entry:

Depreciation A/c Dr. Rs. 2,000
To Machinery A/c Rs. 2,000

The two-fold effect of depreciation will be:

- (i) Depreciation is shown on the debit side of Profit and Loss Account, and
- (ii) It is shown on the asset side of the balance sheet by way of deduction from the value of concerned asset.
- 7. Interest on Capital: The amount of capital invested by the trader in his business is just like a loan by the firm. Charging interest on capital is based on the argument that if the same amount of capital were invested in some securities elsewhere, the businessman would have received interest thereon. Such interest on capital is not actually paid to the businessman. Interest on capital is a gain to the businessman because it increases its capital, but it is a loss to the business concern.

Calculation of Interest on Capital: Interest is calculated on the opening balance of the capital at the given rate for the full accounting period. If some additional amount of capital has been brought in the business during the course of accounting period, interest on such additional amount of capital is calculated from the date of introduction to the end of the accounting period. The following adjustment entry is passed for allowing interest on capital:

Interest on Capital Account Dr.
To Capital Account

(Being the adjustment entry for interest on capital)

#### **Treatment in final accounts:**

- (i) Interest allowed on capital is an expense for the business and is debited to Profit and Loss Account, i.e. it is shown on the debit side of the Profit and Loss Account.
- (ii) Such interest is not actually paid in cash to the businessman but added to his capital account. Hence, it is shown as an addition to capital on the liabilities side of the Balance Sheet.
- **8. Interest of Drawings:** It interest on capital is allowed, it is but natural that interest on drawings should be charged from the proprietor, as drawings reduce capital. Suppose during an accounting year, drawings are Rs.10,000 and interest on drawings is Rs.500. In order to bring this into account, the following entry will be passed:

Drawings A/c Dr. Rs.500

To Interest on Drawings A/c Rs.500

The two-fold effect of interest on drawings will be:

- (i) Interest on drawings will be shown on the credit side of Profit and Loss Account, and
- (ii) Shown on the liabilities side of the Balance Sheet by way of addition to the drawings which are ultimately deducted from the capital.
- **9. Bad Debts:** Debts which cannot be recovered or become irrecoverable are called bad debts. It is a loss for the business. Such a loss is recorded in the books by making following adjustment entry:

Bad Debts A/c Dr. To Sundry Debtors A/c

(Being the adjustment entry for bad debts)

**Treatment in final accounts:** The profit and Loss Account is debited with the amount of bad debts and in the Balance Sheet, the Sundry Debtors balance will be reduced by the same amount in the assets side.

10. Provisions for Doubtful Debts: In addition to the actual bad debts, a business unit may find on the last day of the accounting period that certain debts are doubtful, i.e.,

the amount to be received from debtors may or may not be received. The amount of doubtful debts is calculated either by carefully examining the position of each debtor individually and summing up the amount of doubtful debts from various debtors or it may be computed (as is usually done) on the basis of some percentage (say 5%) of debtors at the end of the accounting period. The percentage to be adopted is usually based upon the past experience of the business. The reasons for making provision for doubtful debts are two as discussed below:

- (i) Loss caused by likely bad debts must be charged to the Profit and Loss of the period for which credit sales have been made to ascertain correct profit of the period.
- (ii) For showing the true position of realisable amount of debtors in the Balance Sheet, i.e., provision for doubtful debts will be deducted from the amount of debtors to be shown in the balance sheet.

For example, sundry debtors on 31.12.1998 are Rs.55,200. Further bad debts are Rs.200. Provision for doubtful debts @ 5% is to be made on debtors. In order to bring the provision for doubtful debts of Rs.2,750, i.e., 5% on Rs.55,000 (55,200-200), the following entry will be made:

Profit and Loss A/c Dr. Rs.2,750 To Provision for Doubtful Debts A/c Rs.2,750

(Being Provision for Doubtful Debts provided)

It may be carefully noted that further bad debts (if any) will be first deducted from debtors and then a fixed percentage will be applied on the remaining debtors left after deducting further debts. It is so because percentage is for likely bad debts and not for bad debts which have been decided to be written off.

#### Treatment in final accounts

- (i) The amount of provision for doubtful debts is a provision against a possible loss so it should be debited to Profit and Loss account.
- (ii) The amount of provision for doubtful debts is deducted from sundry debtors on the assets side of the balance sheet.

11. Provision for Discount on Debtors: It is a normal practice in business to allow discount to customers for prompt payment and it constitutes a substantial sum. Sometimes the goods are sold on credit to customers in one accounting period whereas the payment of the same is received in the next accounting period and discount is to be allowed. It is a prudent policy to charge this expenditure (discount allowed) to the period in which sales have been made, so a provision is created in the same manner, as in case of provision for doubtful debts i.e.

Profit and loss account

Dr.

To provision for discount on debtors account

(Being provision for discount on debtors provided)

#### Treatment in final accounts

- (i) Provision for discount on debtors is a probable loss, so it should be shown on the debit side of Profit and Loss account.
- (ii) Amount of provision for discount on debtors is deducted from sundry debtors on the assets side of the Balance Sheet.

*Note*: Such provision is made on debtors after deduction of further bad debts and provision for doubtful debts because discount is allowable to debtors who intend to make the payment.

12. Reserve for Discount on Creditors: Prompt payments to creditors enable a businessman to earn discount from them. When a businessman receives cash discount regularly, he can make a provision for such discount since he is likely to receive the discount from his creditors in the following years also. The discount received being a profit, the provision for discount on creditors amounts to an addition to the profit. Accounting treatment of Reserve for Discount on Creditors is just reverse of that in the case of Provision for Discount on Debtors. The adjustment entries for Reserve for Discount on Creditors is as follows:

Reserve for Discount on Creditors Account
To Profit and Loss Account

Dr.

(Being the adjustment entry for discount on creditors)

#### Treatment in final accounts

- (i) Reserve for discount on creditors is shown on the credit side of Profit and Loss account.
- (ii) In the liabilities side of the Balance Sheet, the reserve for discount on creditors is shown by way of deductions from Sundry Creditors.
- 13. Loss of Stock by Fire: In business, the loss of stock may occur due to fire. The position of the stock may be:
- (a) all the stock is fully insured.
- (b) the stock is partly insured.
- (c) the stock is not insured at all.

It the stock is fully insured, the whole loss will be claimed from the insurance company. The following entry will be passed:

Insurance Co. A/c Dr.

To Trading A/c

(Being the adjustment entry for Loss of goods charged from insurance Co.)

The value of goods lost by fire shall be shown on the credit side of the trading Account and this is shown as an asset in the Balance Sheet. If the stock is not fully insured, the loss of stock covered by insurance policy will be claimed from the insurance company and the rest of the amount will be loss for the business which is chargeable to Profit and Loss Account. In this case, the following entry will be passed:

Insurance Co. A/c Dr.

Profit and Loss A/c Dr.

To Trading A/c

(Being the adjustment entry for Loss of goods)

The amount of goods lost by fire is credited to Trading Account, the amount of claim accepted by insurance company shall be treated as an asset in the Balance Sheet,

while the amount of claim not accepted is a loss so it will be debited to Profit and Loss Account. If the stock is not insured at all, the whole of the loss will be borne by the business and the adjusting entry shall be:

Profit and Loss A/c Dr.
To Trading A/c

(Being the adjustment entry for Loss of goods)

The double effect of this entry will be (a) it is shown on the credit side of the Trading Account (b) it is shown on the debit side of the Profit and Loss Account.

**14. Manager's Commission:** Sometimes, in order to increase the profits of the business, manager is given some commission on profits of the business. It can be given at a certain percentage on the net profits but before charging such commission or on the net profits after charging such commission. In both the cases, the adjustment entry will be:

Profit and Loss A/c Dr.
To Commission Payable A/c

(Being the adjustment entry for manager's commission)

#### **Treatment in final accounts**

- (i) The amount of managers commission being a business expenditure is shown on the debit side of the Profit and Loss account.
- (ii) As the commission to manager has not been paid so far, commission payable would be shown as liability on the liability side of balance sheet.

**Illustration 12**: The following adjustments are to be made in the final accounts being made as on 31st March, 2006.

- i) Closing Stock in hand Rs.20,000.
- ii) Salaries amounting to Rs.1,000 outstanding.
- iii) Depreciate Plant and Machinery @10%. The value of Plant and Machinery on 31st March, 2006 was at Rs.40,000.

- iv) Prepaid insurance Rs.150.
- v) Accrued income from investment Rs.1,500.

You are required to pass adjustment entries.

### Solution

#### **JOURNAL**

		_		~
		Dr.		C
Date	Particulars	L.F.	Rs.	Rs.
2006			20,000	
Mar 31	Closing Stock Account Dr. To Trading Account			20,000
	(Being the adjustment entry for closing stock)			
Mar 31	Salaries Account To Outstanding Salaries Account (Being the adjustment entry for outstanding Salaries)		1,000	1,000
Mar 31	Depreciation Account Dr.  To Plant and Machinery Account (Being the adjustment entry for Depreciation)		4,000	4,000
Mar 31	Prepaid Insurance Account To Insurance Account (Being the adjustment entry for prepaid insurance)		150	150
Mar 31	Accrued Income Account  To Income on Investment Account (Being the adjustment entry for accrued income)		1,500	1,500

**Illustration 13**: From the following Trial Balance of Mr. Garg as on 31st March, 2006, prepare Trading Account, Profit and Loss Account and Balance Sheet.

TRIAL BALANCE

Debit Balance	Rs.	Credit Balance	Rs.
Stock on 1st April, 2005	500	Capital	2,000
Purchases	1,500	Sales	3,500
Land and Building	2,000	Sundry Creditors	750
Bills Receivable	300	Commission	50
Wages	300	Bills payable	300
Machinery	800	Loan	600
Carriage Inward	100		
Carriage Outward	100		
Power	150		
Salaries	200		
Discount Allowed	30		
Drawings	100		
Insurance Premium	20		
Cash at Bank	500		
Cash in Hand	100		
Investments	500		
	7,200		7,200

## **Adjustments**

- 1. Stock as on 31st March 2006 is valued at Rs. 200.
- 2. Provide depreciation @ 10% on Machinery and @ 5% on Land and Building.
- 3. Outstanding salaries amounted to Rs.50.
- 4. Insurance premium is paid in advance to the extent of Rs.10.
- 5. Allow interest on Capital @ 6% per annum.
- 6. Interest on loan @ 12% per annum is due for one year.

### **Solution**

# TRADING & PROFIT AND LOSS A/C FOR THE YEAR ENDED 31ST MARCH, 2006

Particulars		Rs.	Particulars	Rs.
To Opening stock		500	By Sales	3,500
To Purchases		1,500	By Closing Stock	200
To Wages		300		
To Carriage Inward		100		
To Power		150		
To Gross Profit c/d		1,150		
		3,700		3,700
To Salaries	200		By Gross profit b/d	1,150
Add: Outstanding Salaries	<u>50</u>	250	By Commission	50
To Carriage Inward		100		
To Insurance Premium	20			
Less: prepaid Ins.	<u>10</u>	10		
To Discount allowed		30		
To Depreciation on:				
Machinery	80			
Land and Building	<u>100</u>	180		
To Interest on Loan		72		
To Interest on Capital		120		
To Net Profit (Transferred to	)	435		
capital account)				
		1,200		1,200

### BALANCE SHEET AS ON 31ST MARCH 2006

Liabilities		Rs.	Assets		Rs.
Capital	2,000		Land and Building	2,000	
Add Interest on Capital	120		Less Dep.	100	1,900
Add Net profit	438				
	2,558		Machinery	800	
Less Drawings Loan	100	2,458	Less Dep.	80	720
	600		Investments		500
Add Interest O/S	72	672	Closing stock		200
Sundry Creditors		750	Bills Receivable		300
Bills payable Outstanding		300	Cash at Bank		500
Salaries		50	Cash in Hand		100
			Prepaid Insurance		10
		4,230			4,230

#### 11.11 RECTIFICATION OF ERRORS

Every concern is interested in ascertaining its true profit/loss and financial position at the close of the trading year. The effort of the accountant is to prepare the final accounts in such a fashion which exhibits true picture of the business. The basic information for the preparation of final accounts is supplied by the trial balance. Thus, the accuracy of the trial balance determines to a great extent the accuracy or otherwise of the information provided by final accounts. However, the trial balance is prepared to ensure the arithmetical accuracy of the records of a business and also to ensure that for every debit entry a credit of an equal amount has been recorded. Thus, a trial balance in which the total of the debits does not equal the total of credits can be taken as an evidence for the existence of some errors in the records. On the other hand, a trial balance in which the total of the debits equal the total of credits is not a conclusive proof of accuracy of the records. Certain errors may not affect the agreement of a trial balance as the erroneous entries may not violate the dual aspect concept. It means that even if the trial balance agrees, steps should be taken to ensure that the records are free from errors. It, therefore, becomes utmost important to locate such errors and rectify them so that the correct financial position of the concern may be ascertained. So whenever errors in accounting records come to notice, they should be rectified without waiting till the end of the accounting year when trial balance is to be prepared. The objectives of rectification of errors are as follows:

- (a) Presenting correct accounting records;
- (b) Ascertaining correct profit or loss for the accounting period; and
- (c) Exhibiting a true financial position of the concern on a particular date.

#### 11.11.1 Classification of Errors

The errors can be classified as follows:

- Clerical Errors
- Errors of Principle
- 1. Clerical errors: Clerical errors are those errors which are committed by the clerical staffduring the course of recording the business transactions in the books of accounts. These errors are:

- (a) Errors of omission
- (b) Errors of commission
- (c) Compensating errors
- (a) Errors of Omission: When a transaction is either wholly or partially not recorded in the books of accounts, it is an error of omission. When a transaction is omitted completely, it is called "complete error of omission" and when a transaction is partly omitted, it is called a "partial error of omission". A complete error of omission does not affect the agreement of trial balance whereas partial error of omission may or may not affect the agreement of trial balance. For example, Rs. 100 paid to Ram is neither recorded in the cash book nor in the account of Ram, this error will not affect the agreement of trial balance. Only the total of the trial balance would be short by Rs. 100. But if posting is not done in one of the accounts, this will affect the agreement of trial balance.
- (b) Errors of Commission: Errors of commission take place when some transactions are incorrectly recorded in the books of accounts. Such errors include errors on account of wrong balancing of an account, wrong posting, wrong totalling, wrong carry forwards, etc. For example, if a sum of Rs. 255 received from Hari is credited to his account as Rs. 525, this is an error of commission. Similarly, if a sum of Rs. 500 paid to Suresh is credited to Sohan's account such an error is an error of commission. Some of the errors of commission affect the agreement of trial balance whereas others do not. Errors affecting the agreement of trial balance can be easily revealed by preparing a trial balance.
- **Compensating Errors:** These errors, also called self-balancing or equalising errors, are a group of errors, the total effect of which is not reflected in the trial balance. These errors are of a neutralizing nature. One error is compensated by the other error or by errors of an opposite nature. For example, Amitabh's account is credited with Rs. 500 instead of Rs. 600; Abhijit's account credited with Rs. 160 instead of Rs. 100 and Jaya's account credited with Rs. 150 instead of Rs. 110. Here the first error of under-credit of Rs. 100 is covered by second and third errors of over credit of Rs. 60 and Rs. 40 respectively.

**2. Errors of Principle :** When a transaction is recorded against the fundamental principles of accounting, it is an error of principle. These errors arise because of the failure to differentiate capital and revenue items i.e. a capital expenditure is taken as a revenue expenditure or vice-versa. Similarly, a capital receipt may have been taken as a revenue receipt or vice-versa. For example, a sum of Rs. 50 paid on the repairs of furniture should be debited to repairs account, but if it is debited to the furniture account, it will be termed as an error of principle. Repair of furniture is revenue expenditure. If it is debited to furniture account, it has been taken as a capital expenditure. Such errors do not affect the agreement of the trial balance because they are correctly recorded so far as the debit or credit side of the wrong class of account is concerned. It would be appreciated that such an error arises through lack of knowledge of principles of accountancy.

#### 11.11.2 Rectification of Errors

From the point of view of rectification of errors, these can be divided into two groups:

- (a) Errors affecting one account only.
- (b) Errors affecting two or more accounts.

## 1. Errors affecting One Account

The following errors affect only one account:

- (a) Errors of posting
- (b) Carry forward
- (c) Balancing
- (d) Omission from trial balance
- (e) Casting

Such errors should first of all be located and rectified. These are rectified either with the help of journal entry or by giving an explanatory notes in the account concerned and not by simply crossing the wrong amount and inserting the right one.

## 2. Errors affecting two or more accounts

The following errors affect two or more accounts:

- (a) Errors of omission
- (b) Posting to wrong account
- (c) Principles

As there errors affect two or more accounts, rectification of such errors is done with the help of a journal entry.

### 11.11.3 Stages of Rectification of Errors

All types of errors can be rectified at two stages:

- 1. Before the Preparation of Final Accounts.
- 2. After the Preparation of Final Accounts.

## 1. Rectification of errors before the preparation of final accounts

If the error is located before the preparation of final accounts, it is either rectified by recording or posting the necessary amount in the respective account or by recording the necessary journal entry to rectify that error. If the error is one sided, it can be rectified by recording or posting the necessary amount in that account. If it is two sided, the necessary journal entry is recorded.

- (a) Rectification of One sided errors: These are the errors which affect one account and will affect the agreement of trial balance. Such errors are rectified by debiting or crediting the affected account in the ledger.
- **(b)** Rectification of two sided errors: As these errors affect two or more accounts, rectification of such errors can often be done with the help of a journal entry. These type of errors do not affect the agreement of trial balance.

## 2. Rectification of errors after the preparation of final accounts

The rectification of errors after the preparation of final accounts depends upon the nature of error. If an error is a one sided error, it can be corrected by passing a rectifying entry with the help of the Suspense Account and if the error is two sided, it is rectified by

passing a rectifying entry in both the affected accounts and such errors are not rectified through Suspense Account.

Suspense account: In case, the accountant is not in a position to locate the difference in the totals of the trial balance and he is in a hurry to close the books of accounts, he may transfer the difference to an account known as "Suspense Account". After transferring the difference, the trial balance is totalled and balanced. On locating the errors in the beginning or during the course of next year, suitable accounting entries are passed and the Suspense Account is closed. However, the Suspense Account should be opened only when the accountant has failed to locate the errors in spite of his best efforts. It should not be by way of a normal practice, because the very existence of the Suspense Account creates doubt about the authenticity of the books of accounts.

(a) Rectification of one sided errors: It may be noted that one sided errors affect the agreement of trial balance. Hence, one sided errors are rectified through the Suspense Account.

## For example:

(i) An item of Rs. 68 was posted as Rs. 86 in the sales account In this case, the sales account has been credited by Rs. 86 instead of Rs. 68, so the entry with the help of Suspense Account shall be as follows:

		Rs.	Rs.
Sales A/c	Dr.	18	
To Suspense A/c			18

(Being Sales account wrongly credited with Rs. 86 instead of Rs. 68, now corrected)

(ii) The total of purchase book has been taken Rs. 9 short. In this case, the purchase book has been under cast by Rs. 9 so we should further debit the purchase account by Rs. 9.

		Rs.	Rs.
Purchases A/c	Dr.	9	
To Suspense A/c			9
(Being total of pur	chase book no	w corrected)	

(iii) A sum of Rs. 102 written off as depreciation on furniture has not been posted to depreciation account. In this case, depreciation account has not been debited, so the entry shall be:

Depreciation A/c Dr. 102
To Suspense A/c 102

(Being depreciation on furniture not posted previously now posted)

**(b)** Rectification of two sided errors: As already stated, two sided errors do not affect the agreement of trial balance. These errors are rectified by means of journal entries in the affected account. Two sided errors may be located and rectified either before the preparation of final accounts or after the preparation of final accounts, the procedure is the same.

#### 11.11.4 Effect of Errors on Final Accounts

It is desirable to know the effect of errors on the final accounts i.e. on the Trading and Profit and Loss Account and the Balance Sheet. Some of the errors affect the Trading and Profit and Loss Account while others affect the Balance Sheet. How these two statements will be affected depends upon the nature of the accounts in which the error lies. If the error affects the nominal account/accounts it will increase or decrease the profit because all nominal accounts are transferred to Trading and Profit and Loss Account. In this regard, the following points are to be noted:

- 1. Profit will increase or loss will reduce if a transaction is omitted to be posted to the debit side of a nominal account. On rectification of such a type of error, profit will decrease or loss will increase. For example salary paid to an employee is wrongly posted to his personal account and consequently salary paid is omitted to be posted to Salary Account. This error will increase the profit or reduce the loss because salary paid will not be transferred to Profit and Loss Account. At the time of the rectification of error, Salary Account will be debited and consequent thereupon, profit will decrease or loss will increase.
- 2. Similarly, profits will reduce or loss will increase if a nominal account is wrongly debited. With the rectification of such an error, profit will increase or loss will decrease. For example, an amount of Rs. 2000 spent on erection of machinery

wrongly debited to Repairs Account instead of Machinery Account will reduce net profit by Rs. 2000 On rectification of this error, Machinery Account will be given debit and Repairs Account will be credited and consequently profit will increase or loss will decrease.

- 3. Profit will increase or loss will decrease if a nominal account is wrongly credited. With the rectification of this type of error, profit will decrease or loss will increase. For example, if Rs. 5000 received on account of sale of old furniture was posted to Sales Account instead of Furniture Account, the error will increase profit or decrease loss because sales will be shown at an increased amount of RS. 5000 on the credit side of the Trading and Profit and Loss Account. At the time of the rectification of error, Sales Account will be given debit. As a result, profit will decrease or loss will increase.
- 4. Profit will decrease or loss will increase if an item is omitted to be posted to the credit side of a nominal account. With the rectification of the error, profit will increase or loss will decrease. For example, interest on debentures of Rs. 2,000, received is omitted to be posted to the credit side of the Interest on Debentures Account. This error will decrease profit or increase loss because interest on debentures received will not be transferred to the credit side of the Profit and Loss Account as an item of income. At the time of the rectification of the error, Interest on Debentures Account will be given a credit and, as a result, profit will increase or loss will decrease.
- 5. Due to increase or decrease in profit/loss by the errors in nominal accounts, the Capital Account will also, be increased or decreased. Thus, the errors in nominal accounts will also affect the Balance Sheet because the Capital Account is shown on the liability side of the Balance Sheet. So, an error in a nominal account will affect both the Profit and Loss Account and the Balance Sheet.
- 6. If there is an error in the personal accounts of the debtors or creditors of the business concern their respective accounts will be increased or decreased. This will have its effect on the Balance Sheet only because debtors and creditors are shown in the Balance Sheet as Assets and Liabilities respectively. Similarly, if an error is in a real account, such as Plant and Machinery Account, Cash Account,

Land and Building Account, the Balance Sheet alone will be affected because assets are shown in the Balance Sheet only.

Check	Your Progress- 3
Note:	a) Answer the questions given below.
	b) Compare your answers with those given at the end of this lesson.
1.	The balance of
2.	Opening stock refers to the
3.	All the indirect revenue expenses and losses are shown on the
4.	A Balance Sheet is a
5.	A Balance Sheet is also described as a "Statement".
6.	The errors can be classified as

### 11.12 LET US SUM UP

An accounting process is a complete sequence of accounting procedures which are repeated in the same order during each accounting period. Accounting process involves six steps or stages i.e. identification of transactions, recording the transaction, classifying, summarising, analysis and interpretation and reporting of financial information. In accounting, all the transactions are recorded on the basis of evidence/document which are mainly three—(i) payment voucher; (ii) receipt voucher; and (iii) transfer voucher. Recording the transaction is the first step in the process of accounting which is performed in the book called 'Journal'. Journal is a primary book for recording the day to day transactions in a chronological order, i.e., the order in which they occur. The process of recording journal entries in the journal is called journalising. For the journalising, all the accounts are classified into three categories namely personal account; real account; and nominal account.

Ledger is a book which contains various accounts of the business enterprise whether real, nominal or personal. The term 'posting' means transferring the debit and credit items

from the journal to their respective accounts in the ledger. At the end of a period, the businessman will be interested in knowing the position of a particular account. This means, he should total the debits and credits of his account separately and final out the net balance. This technique of finding out the net balance of an account is known as balancing the account. Before preparing the final accounts, the accountant prepares a trial balance to check arithmetical errors. The trial balance is a statement containing the various ledger balances on a particular date.

Every businessman is interested in knowing about two facts i.e. whether he has earned a profit or suffered losses and what is his financial position. To fulfill above said purposes, the businessman prepares financial statements for his business i.e. trading A/c, Profit & Loss Account and Balance Sheet. Trading Account shows the result of buying and selling of goods/services during an accounting period. Profit & Loss Account considers all the indirect revenue expenses and losses and all indirect revenue incomes. If indirect revenue income exceeds indirect expenses and cases, it is called net loss. Balance sheet is a statement of financial position of a business concern at a given date. The left hand side of the balance sheet shows the liabilities and right hand the assets of the business.

### 11.13 LESSON END EXERCISE

- 1. What is Journal? Distinguish between Journal and Journalising.
- 2. How you will classify the accounts? State the rules of journalising with respect to each class of accounts.
- 3. What will be the Journal entry in the following cases?
  - (i) Loss of goods by theft
  - (ii) Loss of cash from the cash box
  - (iii) Sale and purchase of investments
  - (iv) Goods taken by the proprietor for his private use.
  - (v) Amount paid/received on behalf of others by the business entity

4. Journalise the following transactions for the month of July 2016

	Particulars	Rs.
July 2	Commenced business with Cash	25,000
4	Purchased furniture for cash	2,000
4	Cash purchases	14,500
7	Bought of Somal	2,600
7	Sold of Monica	808
9	Rent for two years paid in advance	2,400
10	Drawings by the proprietor for household expenses	400
11	Goods taken out by the proprietor for domestic use	50
13	Cash withdrawn from Bank	2,700
15	Sold to Manohar	985
17	Purchases made, payment through cheque	290

5. Prepare Journal, Ledger and Trial Balance from the following information. On 1st January, 1998, the following were the ledger balances of Rajan and Co.: Cash in hand Rs. 900; Cash at bank Rs. 21,000; Soni (Cr.) Rs. 3,000; Zahir (Dr.)Rs. 2,400; Stock Rs. 12,000; Prasad (Cr.) Rs. 6,000.

Transactions during the month were:

Jan. 2	Bought goods from Prasad	2,700	Jan.22	Paid cash for	50
Jan.3	Sold to Sharma			stationery	
Jan.5	Bought goods from Lall for	3,000	Jan.29	Paid to Prasad by	2,650
	cash paid by cheque	3,600		cheque	
Jan.7	Took goods for personal		Jan. 30	Provide interest	100
	use	200		on capital	
Jan.13	Received from Zahir in full		Jan. 30	Rent due to	200
	Settlement	2,350		landlord	
Jan.17	Paid to Soni in full				
	settlement	2,920			

6. Prepare a two column cash book from the following transactions of Sh. R.K. Gupta.

2006		Rs.
Jan 1	Cash in hand	4,000
6	Cash purchases	2,000
10	Wages paid	40
11	Cash sales	6,000
12	Cash received from Suresh	1,980
	and discount allowed	20
19	Cash paid to Munna	2,470
	and discount received	30
27	Cash paid to Radhey	400
28	Purchased goods for cash	2,070

- 7. Distinguish between Trading Account and Profit and Loss Account. Give a specimen of Trading and Profit and Loss Account with imaginary figures.
- 8. What is a Balance Sheet? What do you understand by Marshalling used in the balance Sheet? Illustrate the different forms of marshalling.
- 9. Prepare a Trading Account of a businessman for the year ending 31st December, 2006 from the following data:

	Rs.
Stock on 1.1.2006	2,40,000
Cash purchases for the year	2,08,000
Credit purchases for the year	4,00,000
Cash sales for the year	3,50,000

Credit sales for the year	6,00,000
Purchases returns during the year	8,000
Sales returns during the year	10,000
Direct expenses incurred:	
Freight	10,000
Carriage	2,000
Import Duty	8,000
Clearing Charges	12,000
Cost of goods distributed as free samples	
during the year	5,000
Goods withdrawn by the trader for personal use	2,000
Stock damaged by fire during the year	13,000

The cost of unsold stock on 31st December, 2006 was Rs.1,20,000 but its market value was Rs.1,50,000.

10. Prepare Trading and Profit & Loss Account for the year ended 31st December, 2006 and Balance Sheet as at that date of Shri S. Singh, manufacturer, from the following Trial Balance and information.

Debit Balances	Rs.	Credit Balances	Rs.
Advertising	1,660	Bad Debts Provision	2,000
Bad Debts	1,210	Capital	70,000
Bank Charges	240	Current Account	3,246
Drawings	16,000	Discount	824
Factory Power	7,228	Sales	1,58,348
Furniture	1,800	Creditors	12,300
General Expenses: Factory	410		
Office	692		
Insurance	1,804		
Light and Heat	964		

Light and Heat	964	
Plant & Machinery (1.1.06)	30,000	
Plant & Mach. bought on	4,000	
30.6.98		
Purchases	67,336	
Packing & Transport	2,170	
Rent & Rates	2,972	
Repairs to Plant	1,570	
Salaries Office	7,380	
Stock1.1.06	10,460	
Raw Materials		
Finished Goods	14,760	
Work in Progress	3,340	
Wages Factory	41,400	
Debtors	21,120	
Cash in Hand	350	
Cash at Bank	7,852	

Stock on 31st December, 2006 were: (a) Raw Materials Rs.7,120; Work in Progress Rs.3,480; Finished Goods Rs.19,300 and Packing Materials Rs.250. The Liabilities to be provided for: (b) Factory Power Rs.1,124; (c) Rent and Rates Rs.772; (d) Light and Heat Rs.320; (e) General Expenses-Factory Rs.50, Office Rs.80, Insurance Prepaid Rs.340. Provide Depreciation at 10% p.a. on plant & machinery and 5% p.a. on furniture. Increase the Bad Debts Provision by Rs.1,000. Five-Sixth of Rent and Rates, Light & Heat and Insurance are to be allotted to the Factory and one-sixth to the Office.

## 11. Following is the Trial Balance of Mr. Naresh for the year ended 31st March, 2006:

	Dr. Rs.	Cr. Rs.
Capital		3,50,000
Stock on 1st April, 1996	30,000	
Sales		2,00,000
Carriage	4,000	
Freight and Customs Duty	6,000	
Purchases	1,90,000	
Salaries	15,000	
Income Tax	10,000	

Sundry Debtors and Sundry Creditors	24,000	14,000
Cash at Bank	14,000	
Cash in Hand	20,200	
Furniture -	5,000	
Life Insurance premium	1,800	
Sales Tax	5,000	
Building	5,000	
Drawings	1,80,000	
Office Expenses	68,000	
Discount Received	2,000	2,000
	5,66,000	5,66,000

Prepare Trading and Profit and Loss Account for the period ending 31st March, 2006 and a Balance Sheet as on that date after taking following information into consideration.

- 1. Closing stock Rs. 80,200 (including stationery stocks Rs. 200).
- 2. Office expenses include stationery purchased Rs.800.
- 3. Sundry Debtors include Rs.3,000 receivable from Reeta and Sundry Creditors Include Rs.1,000 payable to Reeta.
- 4. A sum of Rs.5,000 has been received from a debtor as deposit which has been credited to his account.
- 5. Rs.500 were written off as bad debts in previous year and this amount has been received during the current year and has been credited to Debtors Account.
- 6. Some employees are residing in the premises of business due to their nature of service, the rent of such portion is Rs.1,000 per month.
- 7. Salaries include a sum of Rs. 500 which is advance salary.
- 8. On 1st April, 2005 books contain such furniture of Rs.600 which was sold for Rs.290 on 30th Sept., 2005 and in exchange of it a new furniture of Rs.520 was acquired, its net invoice of Rs.230 was recorded in purchase books.
- 9. Depreciate Buildings @ 5% p.a. and Furniture @ 10% p.a.
- 10. Goods worth Rs. 2,000 were in transit on the last day of the accounting year.

## 11.14 SUGGESTED FURTHER READINGS

Anthony, N.R. (1998) Accounting Principles. New Delhi: AITBS Publishers,

Aggarwal, M.P. (1981) *Analysis of Financial Statements*. New Delhi: National Publishing House.

Jain, S.P. (2001) Corporate Accounting. New Delhi: Kalayani Publishers.

Banerjee, A. (2005). Financial Accounting. New Delhi: Excel Book.

Narayanaswamy, R. (2003) *Financial Accounting*. New Delhi: Prentice Hall of India.

## 11.15 ANSWERS TO CHECK YOUR PROGRESS

## **Answers to Check Your Progress-1**

**Solution** JOURNAL

			Dr.	Cr.
Date	Particulars	L.F.	Rs.	Rs.
2016	Investment Account Dr.		2,000	
Jan. 1	To Cash Account			2,000
	(Being purchase of shares of Tata Cotton Mills Ltd. paid in cash)			
2	No entry is passed as "placing of an order is not a business transaction."			
3	Mr. Love's Account Dr.		980	
	To Sales Account			980
	(Being the entry for credit sale of goods to Mr. Love at a trade discount of 2%)			
4	Mr. Love's Account Dr.		95	
	To Cash Account			95
	(Being payment of freight and carriage on behalf of Mr.			
	Love)			
5	Rent Account Dr.		150	
	To Sales Account			150
	(Being rent paid to the landlord in the form of goods,			
	instead of in cash)			
6	Mr. Gobind Account Dr.		700	
	To Sales account			700
	(Being goods sold to Mr. Govind but delivered to A.			
	Merchants as per instructions)			

7	Cash Account	Dr.	500	
	To Love's Account			500
	(Being in amount received in cash from Love)			
7	Purchases Account	Dr.	500	
	To Cash Account			500
	(Being entry for goods purchased fromMr. Deeput cash received from Love)	ı from in		
8	Cash Account	Dr.	5,000	
	To Proprietor's Capital Account			5,000
	(Being amount invested in business out of the sale	e process		
	of the owner's personal car)			
9	Proprietor's Capital Account/Drawing A/c	Dr.	180	
	To Cash Account			180
	(Being the amount paid to Manpreet for			
	goods purchased for his personal use)			
10	Cash Account	Dr.	450	
	Bad Debts Account	Dr.	250	
	To Gobind's Account			700
	(Being the amount received from Gobind			
	in full settlement of his debts)			
11	Narinder	Dr.	2,000	
	To Mohinder			2,000
	(Being cash paid by Mohinder to Narinder)			

## **Answers to Check Your Progress-2**

- 1. is used for recording only the credit purchases of goods and merchandise in which the business is dealing in.
- 2. is written up to record all the credit sales.
- 3. book which contains various accounts. In simple words, ledger is a set of accounts. It includes all accounts of the business enterprise whether Real, Nominal or Personal.
- 4. a statement containing the various ledger balances on a particular date.
- 5. There are three objectives of preparing Trial Balance: (i) Checking of the arithmetical accuracy of the accounting entries; (ii) Basis for financial statements; (iii) Summarised ledger

## **Answers to Check Your Progress-3**

- 1. Trading
- 2. closing stock of unsold goods at the end of previous accounting period.
- 3. debit side, credit side
- 4. statement of financial position of a business concern at a given date.
- 5. showing the Sources and Application of Capital".
- 6. Clerical Errors; Errors of Principle

LESSON NO. 12 UNIT-IV

## AUDITING OF FINANCIAL STATEMENT INTERPRETATION AND ELECTRONIC ACCOUNTING

## **STRUCTURE**

1	$\sim$	1	1	r			1			•		
ı	2.			ln	tr	$\sim$	വ	П.	വ	1	$\cap$ 1	n
1	<b>~</b> .				u.	v	u	u	$\sim$	u.	v	ш

- 12.2 Objectives
- 12.3 Meaning and definitions of Auditing
  - 12.3.1 Objectives of Auditing
  - 12.3.2 Importance of Auditing
  - 12.3.3 Types of Audit
  - 12.3.4 Role of Audit
  - 12.3.5 Process of Audit
- 12.4 Interpretation of Financial Statement
  - 12.4.1 Objectives of Financial Analyses
  - 12.4.2 Procedure of Analysis of Financial Statements
  - 12.4.3 Requirements of Financial Statements
  - 12.4.4 Limitations of Financial Statements

Types of Financial Analyses 12.4.5 12.4.6 Analysis and Interpretation of Financial Statements 12.5 **Electronic Accounting** 12.5.1 Concept and Meaning of E-accounting 12.5.2 Importance of E-accounting 12.5.3 Application of E-accounting 12.5.4 Cost/benefit analysis of E-accounting 12.5.5 Advantages of E-accounting 12.5.6 Disadvantages in E-accounting 12.6 Let Us Sum Up 12.7 Lesson End Exercise 12.8 Suggested Further Readings 12.9 Answers to Check Your Progress

### **12.1 INTRODUCTION**

In this lesson, we have discussed about the concept, types and role and process of auditing. Auditing is an examination of accounts to ascertain whether the financial statements give a true and fair view financial position and profit or loss of the business. It is the intelligent and critical test of accuracy, adequacy and dependability of accounting data and accounting statements. Further we have bestowed with interpretation of financial statements. Financial analysis is the expert who has to grasp the significance of related figures and form an opinion as to whether the ratio calculated indicates a favorable or adverse state of affairs. interpretation of financial statement is the mental process of understanding the terms of such statements and forming opinions of inferences about the financial health, profitability, efficiency and such other aspects of the undertaking. In addition, different aspects pertaining to E-accounting has been taken into consideration. E-accounting involves performing regular accounting functions, accounting research and the accounting training and education through various computer based /internet based accounting tools such as: digital tool kits, various internet resources, international web-based materials, institute and company databases which are internet based, web links, internet based accounting software and electronic financial spreadsheet tools to provide efficient decision making. This discussion implies that e-accounting can also be viewed as online accounting.

#### 12.2 **OBJECTIVES**

After going through this lesson, you shall be able to:

- explain the meaning of auditing,
- enumerate role, types and process of audit,
- elaborate concepts related to financial statement,
- delineate objectives, types and tools of financial interpretation,
- define the concept of E-accounting,
- explain role, importance and cost/benefit analysis of E-accounting, and
- describe the advantages and disadvantages of E-accounting.

### 12.3 MEANING AND DEFINITION OF AUDITING

The word audit is derived from Latin word "Audire" which means 'to hear'. Auditing is the verification of financial position as disclosed by the financial statements. It is an examination of accounts to ascertain whether the financial statements give a true and fair view financial position and profit or loss of the business. Auditing is the intelligent and critical test of accuracy, adequacy and dependability of accounting data and accounting statements. Different authors have defined auditing differently, some of the definition are:

"Auditing is an examination of accounting records undertaken with a view to establishment whether they correctly and completely reflect the transactions to which they purport to relate."-L.R.Dicksee

"Auditing is concerned with the verification of accounting data determining the accuracy and reliability of accounting statements and reports." - R.K. Mautz

"Auditing is the systematic examination of financial statements, records and related operations to determine adherence to generally accepted accounting principles, management policies and stated requirement." -R.E.Schlosser

## 12.3.1 Objectives of Auditing

The objectives of auditing are changing with the advancement of business techniques. Earlier it was only to check the correctness of receipts and payments. The objectives of the auditing have been classified under two heads:

- (i) Main objective
- (ii) Subsidiary objectives

## (i) Main Objective

The main objective of the auditing is to find reliability of financial position and profit and loss statements. The objective is to ensure that the accounts reveal a true and fair view of the business and its transactions. To verify and establish that at a given date balance sheet presents true and fair view of financial position of the business and the profit and loss account gives the true and fair view of profit or loss for the accounting period. It is to be established that accounting statements

satisfy certain degree of reliability. Thus the main objective of auditing is to form an independent judgement and opinion about the reliability of accounts and truth and fairness of financial state of affairs and working results.

#### (ii) Subsidiary Objectives

The subsidiary objectives of the auditing are:

## a. **Detection and prevention of fraud**

One of the important subsidiary objective of auditing is the detection and prevention of fraud. Fraud refers to intentional misrepresentation of financial information. Fraud may involve:

- Manipulation, falsification or alteration of records or documents
- Misappropriation of assets.
- Suppression of effect of transactions from records or documents.
- Recording of transactions without substance.
- Misapplication of accounting policies

## b. **Detection and prevention of errors**

Detection and prevention is another important objective of auditing. Auditing ensures that there is no mis-statement in the financial statements. Errors can be detected through checking and vouching thoroughly books of accounts, ledger accounts, vouchers and other relevant information.

## 12.3.2 Importance of Auditing

Importance of auditing can be judged from the fact that even those organizations which are not covered by companies Act get their financial statements audited. It has become a necessity for every commercial and even non-commercial organization. The importance of auditing can be summed in following points:

i. Audited accounts help a sole trader in knowing the value of the business for the purpose of sale.

- ii. Dispute over correctness of profits can be avoided.
- iii. Shareholders, who do not know about day-to-day administration of the company, can judge the performance of management from audited accounts.
- iv. It helps management in detecting and preventing errors and frauds.
- v. Management gets advice on financial affairs from the auditors.
- vi. Long and short term creditors depend on audited financial statements while taking decision to grant credit to business houses.
- vii. Taxation authorities depend on audited statements in assessing the income tax, sales tax and wealth tax liability of the business.
- viii. Audited accounts are useful for the government while granting subsidies etc.
- ix. It can be used by insurance companies to settle the claims arising on account of loss by fire.
- x. Audited accounts serve as a basis for calculating purchase consideration in case of amalgamation and absorption.
- xi. It safe guards the interests of the workers because audited accounts are useful for settling trade disputes for higher wages or bonus.

## 12.3.3 Types of audit

In general, an audit consists of evaluation of a subject matter with a view to express an opinion on whether the subject matter is fairly presented. There are different types of audits that can be performed depending on the subject matter under consideration, for example:

- Audit of financial statements
- Audit of internal control over financial reporting
- Compliance audit

Following are the different types of audit:

## (i) Based on Ownership

On the basis of ownership audit can be:- 1. Audit of Proprietorship: In case of proprietary concerns, the owner himself takes the decision to get the accounts audited. Sole trader will decide about the scope of audit and appointment of auditor. The auditing work will depend upon the agreement of audit and the specific instructions given by the proprietor.

## (ii) Audit of Partnership

To avoid any misunderstanding and doubt, partnership audits their accounts. Partnership deed on mutual agreement between the partners may provide for audit of financial statements. Auditor is appointed by the mutual consent of all the partners. Rights, duties and liabilities of auditor are defined in the mutual agreement and can be modified by the partners.

## (iii) Audit of Companies

Under companies Act, audit of accounts of companies in India is compulsory. Chartered accountant who is professionally qualified is required for the audit of accounts of companies. Companies Act 1913 for the first time made it compulsory for joint stock companies to get their accounts audited from a qualified accountant. A number of amendments have been made in companies Act, 1956 and 2013 regarding appointment, duties, qualification, power and liabilities of a qualified auditor.

## (iv) Audit of Trusts

The beneficiaries of the trusts may not have access and knowledge of accounts of the trust. The trustees are appointed to manage and look after the property and business of the trust. Accounts of the trust are maintained as per the conditions and terms of the trust deed. The income of the trust is distributed to the beneficiaries. There are more chances of frauds and mis-appropriation of incomes. In the trust deed as well as in the Public Trust Act which provide for compulsory audit of the accounts of the trust by a qualified auditor. The audited accounts of the trust ensure true and fair view of accounts of the trust.

## (v) Audit of Accounts of Co-operative Societies

Co-Operative societies are established under the Co-Operative Societies Act, 1912. It contains various provisions for the regulations and the working of these societies. Some of the states have adopted it without any change, while others have brought certain changes to it. The auditor of the Co-operative Society should have an expert knowledge of the particular act under which Co-operative society under audit is functioning. He should also study by-laws of the society and make sure that the amendments made from time to time in the by-laws have been duly registered in the Registrar's Office. Companies Act is not applicable to the co-operative Societies. The Registrar of co-operative societies shall audit or cause to be audited by some person authorized by him, the accounts of the society once in every financial year.

### (vi) Government Audit

Audit of government offices and departments is covered under this heading. A separate department is maintained by government of India known as Accounts and Audit Department. This department is headed by the Comptroller and Auditor General of India. This department works only for the government offices and departments. This department cannot undertake audit of non-government concerns. Its working is strictly according to government rules and regulations.

## (vii) Based on Time

On the basis of time the audit can be of following types:

#### a. Interim audit

When an audit is conducted between two annual audits, such audit is known as Interim audit. It may involve complete checking of accounts for a part of the year. Sometimes it is conducted to enable the board of directors to declare an Interim dividend. It may also be for the purpose of dealing with interim figures of sales.

#### b. Continuous audit

The Continuous Audit is conducted throughout the year or at the regular short intervals of time.

#### c. Final audit

Final Audit means when the audit work is conducted after the close of financial year. A final audit is commonly understood to be an audit which is not commenced until after end of the financial period and is then carried on until completed.

#### d. Balance sheet audit

Balance Sheet Audit relates to the verification of various items of balance sheet such as assets, liabilities, reserves and surplus, provisions and profit and loss balance. The procedure under this audit is to follow a backward process. First the item is located in balance sheet, and then it is located in original record for the purpose of verification.

### (viii) Based on Objectives:

On the basis of objectives the audit can be of following types:

#### a. Internal audit

It implies the audit of accounts by the staff of the business. Internal audit is an appraisal activity within an organization for the review of the accounting, financial and other operations as basis for protective and constructive service to the management. It is a type of control which functions by measuring and evaluating the effectiveness of other types of control. It deals primarily with accounting and financial matters but it may also properly deal with matters of operating nature.

#### b. Cost audit

Cost Audit is the verification of the correctness of cost accounts and adherence to the cost accounting plans. Cost Audit is the detailed checking of costing system, techniques and accounts to verifying correctness and to ensure adherence to the objectives of cost accounting.

#### c. Secretarial audit

Secretarial Audit is concerned with verification compliance by the company of various provisions of Companies Act and other relevant laws.

## (ix) Independent Audit

Independent Audit is conducted by the independent qualified auditor. The purpose of independent audit is to see whether financial statements give true and fair view of financial position and profits. Mainly, it is for safeguarding the interest of owners, shareholders and other parties who do not have knowledge of day-to-day operations of organization.

## (x) Tax Audit

Now-a-days tax audit has become very important to ascertain the accuracy of tax related documents. Tax audit mostly covers income returns, invoices, debit and credit notes and various current and fixed assets. Tax audit is an innovation of 21st century. It has added one more chapter to the practice of auditing. Tax audit ensures the validity and credibility of tax related documents.

#### 12.3.4 Role of Audit

- i. The need for companies' financial statements is to be audited by an independent external auditor has been a cornerstone of confidence in the world's financial systems. The benefit of an audit is that it provides assurance that management has presented a 'true and fair' view of a company's financial performance and position.
- ii. An audit underpins the trust and obligation of stewardship between those who manage a company and those who own it or otherwise have a need for a 'true and fair' view, the stakeholders.
- iii. Companies prepare their financial statements in accordance with a framework of generally accepted accounting principles (GAAP) relevant to their country, also referred to broadly as accounting standards or financial reporting standards.
- iv. The fair presentation of those financial statements is evaluated by independent auditors using a framework of generally accepted auditing standards (GAAS) which set out requirements and guidance on how to conduct an audit, also referred to simply as auditing standards.

#### 12.3.5 Process of Audit

Broadly, the audit process can be summarised in five phases:

## i. Planning

Initial planning activities include formal acceptance of the client by the audit firm, verifying compliance with independence requirements, building the audit team and performing other procedures to determine the nature, timing and extent of procedures to be performed in order to conduct the audit in an effective manner.

#### ii. Risk assessment

Auditors use their knowledge of the business, the industry and the environment in which the company operates to identify and assess the risks that could lead to a material misstatement in the financial statements. Those risks often involve a high degree of judgement and require a significant level of knowledge and experience by the auditor, particularly on large and complex engagements. This requires a good understanding of the business and its risks, which is typically built up over a number of years as part of the audit firm's and auditor's knowledge. It also means that the auditors need to be well informed about the industry and wider environment in which the company operates, and about what its competitors, customers, suppliers and—where relevant—regulators are doing.

## iii. Audit strategy and plan

Once the risks have been assessed, auditors develop an overall audit strategy and a detailed audit plan to address the risks of material misstatement in the financial statements. Among other things, this includes designing a testing approach to various financial statement items, deciding whether and how much to rely on the company's internal controls, developing a detailed timetable, and allocating tasks to the audit team members. The audit strategy and plan is continually reassessed throughout the audit and adjusted to respond to new information obtained about the business and its environment.

## iv. Gathering evidence

Auditors apply professional scepticism and judgement when gathering and evaluating evidence through a combination of testing the company's internal controls,

tracing the amounts and disclosures included in the financial statements to the company's supporting books and records, and obtaining external third party documentation. This includes testing management's material representations and the assumptions they used in preparing their financial statements. Independent confirmation may be sought for certain material balances such as cash.

#### v. Finalisation

Finally, the auditors exercise professional judgement and form their overall conclusion, based on the tests they have carried out, the evidence they have obtained and the other work they have done. This conclusion forms the basis of the audit opinion.

## **Check Your Progress-1**

Note: a) Answer the questions given below.

- b) Compare your answers with those given at the end of this lesson.
- (A) Answers the following:
- i) Define auditing.
- ii) What are the objectives of audit?
- **(B)** State whether the following statements are true or false.
  - i. Management gets advice on financial affairs from the auditors ()
  - ii. Detection and prevention of fraud the one of the important subsidiary objective of auditing ( )
  - iii. Investigation of accounts is not compulsory but audited by the qualified professional accountant()
  - iv. In ancient period the audit was confined to cash audit and not to locate fraud ()
  - v. Audit of company accounts is compulsory under the Chartered Accountants Act 1949 ()

#### 12.4 INTERPRETATION OF FINANCIAL STATEMENT

The term 'financial analysis' is also known as analysis and interpretation of financial statements. The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. The technique of financial analysis is typically devoted to evaluate the past, current and projected performance of a business firm. In general business usage, financial analysis is concerned with the analysis of financial statements such as balance sheet, profit and loss account, etc. Broadly, the term financial analysis is applied to almost any kind of detailed inquiry into financial data. A financial executive has to evaluate the past performance, present financial position, liquidity situation, enquire into profitability of the firm and to plan for future operations. For all this, they have to study the relationship among various financial variables in a business as disclosed in various financial statements. The analysis of financial statements is an attempt to determine the significance and meaning of the financial statements data so that the fore cast may be made of the future prospects for earnings, ability to pay interest and debt maturities (both current and long-term) and profitability.

The financial statements are of much interest to a number of groups of persons. Apart from management there are other interested parties like shareholders, debenture holders, potential investors—large and small, bankers, trade creditors, journalists, legislators and politicians who are increasingly getting interested in the analysis and interpretation of financial statements.

"To interpret means to put the meaning of a statement into simple terms for the benefit of a person." Just as the chemist is also required to interpret the financial statements. This is essentially done through the tools of analysis such as comparative statements, common size statements and ratio analysis. These tools may be compared with the laboratory tests, which aid a physician in the diagnosis of a malady. Just as laboratory test are only aids to a physician and the physician must use his intelligence in the correct diagnosis, similarly the tools of analysis only help in establishing relationship between one accounting figure and another in the financial statements and go no far. It is the expert who has to grasp the significance of related figures and form an opinion as to whether the ratio calculated indicates a favourable or adverse state of affairs. Therefore while analysis comprises resolving the statements by breaking them into simpler statements by a process or rearranging, regrouping and the calculation of ratios, interpretation is the mental process of

understanding the terms of such statements and forming opinions of inferences about the financial health, profitability, efficiency and such other aspects of the undertaking.

### 12.4.1 Objectives of Financial Analysis

The following are the main objectives of the analysis of financial statements:-

- (i) To estimate the earning capacity of the firm.
- (ii) To judge the financial position and financial performance of the firm.
- (iii) To determine the debt capacity of the firm.
- (iv) To determine the long-term liquidity of the funds as well as solvency.
- (v) To decide about the future prospects of the firm.

As a matter of fact, the objectives of analysis of these statements, depends to a large extent on the point of the view of the analyst, the degree of interest in the company and the need for depth of enquiry and finally on the amount and quality of the data available. A trade creditor considering what action to take on long overdue accounts may well focus his inquiry on the immediate financial condition have the firm and liquidity in there sources. hi contrast, a security analysis considering a purchase of equity shares may tend to centre its efforts on the measurement of financial condition and future profitability of the firm. The object of the analysis determines the extent, depth and the nature of analysis. If a thorough analysis is desired and the full data needed are not available or if the suspicion exists that the firm is trying to hide or confuse its real position, the financial analyst must be virtual detective in order to find out the truth.

## 12.4.2 Procedure of Analysis of Financial Statements

The following procedure is adopted for the analysis and interpretation of financial statements.

# (i) Deciding upon the, extent of analysis

First of all the depth, object and extent of analysis will be determined by the analyst. The determination of these basic facts determines the scope of analysis, tool of analysis and the amount and quality of financial data to be required. For

example, to measure the financial position of the firm, the balance sheet of the firm will be analysed.

## (ii) Going through the financial statements

Before analysing and preparing any statements or composing financial ratios, it is necessary for the analyst to go through the various Financial Statements of the firm.

## (iii) Collection of necessary information

The analyst, should collect other useful information from the management useful for analysis but now being revealed from the published financial statement.

## (iv) Rearrangement of financial data

Before making actual analysis and interpretation the analyst must rearrange the data provided by these statements in useful manner. The approximating of figures, re-classification of consolidation of items, etc. is done in this step.

## (v) Analysis

Now the actual analysis is made. For analysis, any of the above technique may be used.

## (vi) Interpretation and Presentation

After analyzing the statements, the interpretation is made and the inferences drawn from this analysis are presented to the management in the form of reports.

## 12.4.3 Requirements of Financial Statements

The analysis and interpretation of financial statements is an important accounting activity. The end-users of business financial statements are interested in these statements primarily as an aid to determine the financial position and the results of the operations. There are different parties interested in the financial analysis of these statements and their aim and objectives of analysis also differ significantly. The following are the use of financial statement analysis to different parties:

## (i) To the financial executives

The first party interested in the financial statement analysis is the financial departments of the business concern itself. To the financial manager such analysis provides a deep insight into the financial condition of the enterprise, and a view of the past performance, which helps in future decision-making. The financial statements give vital information concerning the position of the enterprise as well as the results of the operations.

### (ii) To the top management:

The top management of the concern is also increased in the analysis of these statements because it helps them in reaching conclusion regarding Performance appraisal of over-all business activities, Inquiry about the current financial position, Questions concerning the relationship of earnings to trend in sales, etc. and Questions concerning the relationship of earnings to investment.

#### (iii) To the creditors:

The analysis of these statements is very useful to the creditors also. Some of the aspects of an enterprise's operations which are of interest to the creditors. In this regard the liquidity of funds, soundness of the financial structure, profitability of the operations, effectiveness of working capital management, etc. the bankers and creditors of a business enterprise are interested in its cash generation and credit worthiness. They went assets that whether the enterprise will be able to meet commitments relating to repayments of principal amount advanced as well as interest payments due as per agrees schedules. They get this all information from the analysis of balance sheet and income statement of the company.

### (iv) To the investors and others:

Investors presents as well as prospective are also interested in the measurement of earning capacity of the securities. Investors have been increasingly concerned with the cash generation capability of enterprises primarily in terms of die flexibility available to such enterprises to acquire other business and new assets on an advantageous basis. For this purpose, cash-flow analysis and fund flow analysis has proved to be very useful. Besides the above-mentioned parties, the information provided by the analysis and interpretation of various financial statements is important

and useful to these groups also that are interested in the working of the business due to one or the other motive. They are employees of the business and their unions, government, consumer and general public.

### 12.4.4 Limitations of Financial Statement

The analysis of financial statements has certain limitations also. Hence any person using this technique must keep in mind those limitations. Main limitations are as follows:

### (i) Based on past data

The nature of financial statements is historical. Past cannot be the index of future and cannot be cent percent basis for future estimation, forecasting, budgeting and planning.

### (ii) Financial statements analysis cannot be a substitute for judgement

Analysis is a tool which can be utilized usefully by an expert but may lead to erroneous conclusions by unskilled analyst. Thus results of analysis cannot be considered as judgement or conclusion.

## (iii) Reliability of figures

The accuracy and reliability of analysis depends on reliability of figures derived from financial statements. if financial statements are manipulated by window-dressing, analysis based on those figures will be misleading or meaningless.

## (iv) Different interpretations

Results of the analysis may be interpreted differently by different users.

## (v) Change in accounting method

Analysis will be effective if the figures taken from financial statements are comparable. if there are frequent changes in accounting policies and methods, the figures of different periods will be different and un comparable then the analysis will have little meaning and value.

### (vi) Price level changes

Ever rising inflation erodes the value of money in the present day economic situation, which reduces the validity of analysis.

## (vii) Limitations of the tools of analysis

Different techniques of analysis are used by an analyst. These tools are suitable for different types of analysis. Application of a particular tool or technique depends on the skill and expertise of the analyst.

### 12.4.5 Types of Financial Analysis

The process of financial statement analysis is of different types. The process of analysis is classified on the basis of information used and 'modusoperandi' of analysis, or the object of the analysis.

### (i) External analysis

This analysis is based on published financial statements of a firm. Outsiders have limited access to internal records of the concern. Thus, the analysis done by outsiders namely creditors, bank, suppliers, investors and government agencies is known as external analysis. This analysis serves a very limited purpose.

## (ii) Internal analysis

Such analysis is made by the finance and accounting department to help the top management. These people have direct approach to the relevant financial records so they can peep behind the two basic financial statements (Balance Sheet and Income Statements) and narrate the inside story. Such analysis emphasizes on the performance appraisal and assessing the profitability of different activities.

## (iii) Short-term analysis

The short-term analysis of financial statement is mainly concerned with the working capital analysis. In the short run, a company must have ample funds readily available to meet its current needs and sufficient borrowing capacity to meet the contingencies. Hence, in short-term analysis the current assets and current liabilities are analysed and cash position (liquidity) of the concern is determined. For short-term analysis the ratio analysis is very useful.

### (iv) Long-term analysis

In the long-term the company must earn a minimum amount sufficient to maintain a suitable rate of return on the investment to provide for the necessary growth and development of the company and to meet the cost of capital. Financial planning is also necessary for the continued success of a company. Thus, in the long run analysis the stress is on the stability and earning potentially of the concern. In long-term analysis the fixed assets, long-term debt structure and the ownership interest is analysed. The short-term and long-term — both type of analysis are important, proper planning for the future requires fairly sufficient knowledge of the company's current position, which may be determined from short-term financial analysis only. The need of short-term analysis for long-term planning is useful in the same way as a driver consulting a road map for the best route to his destination must know his present location exactly.

## (v) Horizontal analysis

This is also known as 'dynamic' or 'trend' analysis. In case of this type of analysis, financial statements for a number of years are reviewed and analysed. The current year's figures are compared with the standard or base year. The analysis statement usually contains figures for two or more years and the changes are shown regarding each item from the base year usually in the form of percentage. Such an analysis gives the management considerable insight into levels and areas of strength and weakness.

## (vi) Vertical analysis:

Vertical Analysis is also known as 'Static Analysis' or 'Structural Analysis'. This analysis is made on the basis of a single set of financial statements prepared at a particular date. Under vertical analysis, quantitative relationship is established between different items shown in a particular statement. Common-size statements are a form of vertical analysis. Different items shown in the statement are expressed as a percentage to any one item as base.

### 12.4.6 Analysis and Interpretation of Financial Statements

The analysis of financial statements consists of a study of relationships and trends to determine whether or not the financial position of the concern and its operating efficiency have been satisfactory. As stated earlier financial statements comprise the following:

- Trading and profit and loss account which gives the results of a year's working.
- Profit and loss appropriation account which gives details about the disposal of the retained income.
- Balance sheet which gives the financial position of the under taking as on the accounting date.

Accounting to Mr. Harry Guthmann, "The first and most important function of financial statement is, of course, to serve those who control and direct the business, to the end of securing the profits and maintaining a sound financial condition question as to how efficiently the capital of the business is being utilized, how well credit standards are being observed and whether the financial condition is being improved may be answered from the financial statements." Therefore, the analysis of statements will help the management at self appraisal and the very statements help the shareholders to judge the performance of the management. In the process of this analysis, various tools or methods or devices are used by the financial analysis. The analytical tools generally available to an analyst for this purpose are as follows:

- (i) Comparative Financial Statements
- (ii) Common-size Statements
- (iii) Trend Ratios and Trend Analysis
- (iv) Average Analysis
- (v) Statement of changes in working capital
- (vi) Funds-flow and Cash-flow Analysis
- (vii) Ratio Analysis

## (i) Comparative financial statements:

Financial Statements are presented as on a particular date or for a particular period. A financial analyst is interested in knowing whether the business is moving in a

favourable or unfavourable direction. For this purpose, figures of the current year have to be compared with those of the previous year(s). Comparative financial statements provide information to assess the direction of change in the business. The comparative statement may show:

- Absolute figures (rupee amounts).
- Changes in absolute figures i.e. increase or decrease in absolute figures.
- .Absolute 'data in terms of percentages.
- Increase or decrease in terms of percentages.

The two comparative statements are (i) Balance Sheet and (ii) Income Statement.

### a. Comparative Balance Sheet

The comparative Balance Sheet analysis is the study of the trend of the same items; group of items and computed items in two or more balance sheets of the same business enterprise on different dates. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period and these changes can help in forming an opinion about the progress of an enterprise. While interpreting comparative Balance Sheet, the interpreter is expected to study the following aspects:

- Current financial position and liquidity position.
- Long-term financial position.
- Profitability of the concern.

After studying various assets and liabilities an opinion should be formed about the financial position of the concern. A concluding word about the overall financial position must be given at the end.

## b. Comparative Income Statement

An Income Statement shows the operating results of a business for a designated period of time. A comparative income statement shows the operating results for a number of accounting periods so as to facilitate comparison. It gives an idea of the

progress of a business over a period of time. It gives an idea about the improvement in sales, profits and other expenses over the previous year(s). The changes in absolute data in money values and percentages can be determined to analyse the profitability of the business.

#### (ii) Common-size Statements:

Financial Statements present absolute figures. A comparison of absolute figures could be misleading. Hence, for a better understanding and comparison, the figures are converted into percentage of some common base. The statements which report the figures as a percentage of some common base are called common size statements.

#### a. Common-size balance sheet

In the Common-size Balance Sheet, total assets or liabilities is taken as the common base. Each item is expressed as a percentage of the total. The comparison of figures in different periods is not useful because total figures may be affected by a number of factors. It is not possible to establish standard norms for various assets.

#### b. Common-size Income Statement

Sales is • taken as the common base in the common size income statement. All expenses are recorded as a percentage of sales. In case the volume of sales increases to a considerable extent, administrative and financial expenses may go up. In case the sales are declining, the selling expenses should be reduced at once. Common-size Statements are useful to a financial analyst. They make comparison easy and meaningful.

## (iii) Trend Analysis

Trend Analysis is also an important tool of horizontal financial analysis. Under this technique of financial analysis, the ratios of different items for various periods are calculated and then a comparison is made. An analysis of the ratios over the past few years may well suggest the trend or direction in which the concern is going upward or downward. These ratios can be calculated for the company over a definite period of time — say 3 to 5 years and then we can analyse the trends

highlighted by such ratios over the specified period of time. It might also be useful to compare such trends with similar trends in business generally and the industry concerned specially.

## Methods of trend analysis:

- **a.** Trend Percentages: The method of calculating trend percentages involves the calculation of percentage relationship that each item bears to the same item in the base year. Any year may be taken as the base year. It is usually the earliest year.
- Each item of base year is taken as 100 and on that basis the percentages for each of the items of each of the years are calculated. While calculating trend percentages, care should be taken regarding the following matters:
- The accounting principles and practices followed should be constant throughout the period for which analysis is made.
- The base year should be carefully selected. It should be a normal year and be representative of the items shown in the statement.
- Trend percentages should be calculated only for items having logical relationship with one another.
- Trend percentages should be studied after considering the absolute figures on which they are based.
- ratios. "The ratios of the magnitudes of a financial statements items in a series of statements to its magnitude in one of the statements selected as the base may be called trend ratios because that reveal trend of-the items with the passage of time. "In this method, the base year figures is taken as 100 and then figures of the subsequent years are shown in the term percentages.
- **c. Graphic and Diagrammatic Representation:** The trend values can be shown on graph paper also. Such representation of the figures relieves a layman from the gear of data.

### (iv) Average Analysis:

It is an improvement over trend analysis method. When trend ratios have been determined for the concern, these figures are compared with industry averages. These both trends can be presented on the graph paper also in the shape of curves. This presentation of facts in the shape of pictures makes the analysis and comparison more comprehensive and impressive.

## (v) Statement of Changes in Working Capital

To discuss the increase or decrease in working capital over a period of time the preparation of a statement of changes in working capital is also very useful. The main objectives of this statement preparation is to derive a fairly accurate summary of the events that affects the amount of working capital. The amount on net working capital is determined by deducting the total of current liabilities from the total of the current assets. Hence, it is rough statement, which may be prepared by using Balance Sheet data only. But it does not explain the detailed reason for the changes in working capital and methods of financing additional requirements of working capital. Hence, the preparation of funds-flow statement becomes necessary.

## (vi) Ratio Analysis

Ratio Analysis involves the process of computing, determining and presenting the relationship of items or group of items of financial statements. A ratio is a mathematical relationship between two items expressed in a quantitative form. Ratios can be defined as "Relationships expressed in quantitative terms, between figures which have cause and effect relationships or which are connected with each other in some manner or the other". An accounting ratio can be define as quantitative relationship between two or more items of the financial statements connected with each other. Arithmetically, ratio is a comparison of the numerator with the denominator.

Ratios may be expressed in any one or more of the following ways:

- In proportion
- In rate or times or co-efficient

## • In percentage)

Classification from the point of view of financial management is as follows:

- Liquidity Ratio
- Activity Ratio
- Solvency Ratio
- Profitability Ratio

### a. Liquidity Ratio

It is also called as short-term ratio. This ratio helps to understand the liquidity in a business which is the potential ability to meet current obligations. This ratio expresses the relationship between current assets and current assets of the business concern during a particular period.

## b. Activity Ratio

It is also called as turnover ratio. This ratio measures the efficiency of the current assets and liabilities in the business concern during a particular period. This ratio is helpful to understand the performance of the business concern.

## c. Solvency Ratio

It is also called as leverage ratio, which measures the long-term obligation of the business concern. This ratio helps to understand, how the long-term funds are used in the business concern.

## d. Profitability Ratio

Profitability ratio helps to measure the profitability position of the business concern.

## (viii) Cash Flow and Fund Flow Statement

Cash flow statements are statements of changes in financial position prepared on the basis of funds defines (as cash or cash-equivalents. In short, cash flow statements summaries sources of cash inflows and uses of cash out flows of the firm during a particular period of time. Other anal 3772 at tool is called Fund flow statement which

refers to working capital and shows change in position of working capital. This considers changes in all current assets and current liabilities and indicates funds inflow and outflow.

### **Check Your Progress-2**

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

Choose the correct answer from the four options a, b, c and d.

- 1. A financial executive has to evaluate the past performance, present financial position, liquidity situation, enquire into profitability of the firm and to plan for......
  - a. Future operations b. Research c. Forcasting d. Profit maximisation
- 2. The short-term analysis of financial statement is mainly concerned with the......
  - a. Fixed Capital b. Permanent capital c. debts d. Working capital
- 3 .....statement shows the operating results of a business for a designated period of time.
- Balance sheet b. Comparative income c. Comparative balance sheet d.
   Income & Expenditure statement
- 4. Under this technique of financial analysis, the ratios of different items for various periods are calculated and then a comparison is made.
  - a. Ratio analysis b. cash flow c. Trend analysis d. Fund flow

## 12.5 ELECTRONIC ACCOUNTING

The modern business environment has changed drastically in a short time. Business technology has advanced business functions and operations to levels not previously believed possible. The role of accounting and business is perhaps one of the most reliable functions in business. While a few basic procedures or methods have changed, the purpose of

accounting remains the same. Business owners often use accounting to measure their company's financial performance so that they can be able to make accurate business decisions. The goal of business is to make a profit. Accounting allows business owners to record, report and analyze their business transactions. It also provides them the information relating to income, cost of goods sold, expenses, assets, liabilities and owner's equity. Financial statements are usually the final output of accounting transactions. These statements include a company' saggregate financial information for accounting period. Accounting provides business owners with potential benchmarks for comparing their company with the industrial standard. Business owners and managers of tenuse financial ratio analysis to calculate their company's financial performance. These ratios provide indicators or percentages to compare their company's final performance with other companies of the business industry. It also helps them for better performance in future business by making the necessary improvements. Small business owners often use accounting information to secure bank loans or investor financing for their business. Many small businesses require start up capital at the time of commencing business. Entrepreneurs and business owners will often prepare financial statements pro forma to provide banks and investors with in formation relating to the expected financial return of the business. The accounting industry has been playing a significant role over the past several years. Public accounting firms and individual certified public accountants offer professional accounting services to small and large businesses. The growth in accounting is of ten attributed to increasing government regulations, the number of new businesses in the economic environment and increasingly complex financial situations. Small business owners typically use professional accountants to prepare business tax returns.

## 12.5.1 Concept and Meaning of E-accounting

E-accounting is composition of two words i.e. E means electronic in which every record is in electronic form not on paper. Accounting is the art of recording, classifying and summarizing transactions in a significant manner. So, in an electronic accounting system source documents and accounting records exist in digital form instead of on paper. It is an application of online and internet technologies to the business accounting function. E-accounting involves performing regular accounting functions, accounting research and the accounting training and education through various computer based/internet based accounting tools such as: digital tool kits, various internet resources, international web-based materials, institute and company databases which are internet based, web links, internet based

accounting software and electronic financial spreadsheet tools to provide efficient decision making. This discussion implies that e-accounting can also be viewed as online accounting. It has also bring global opportunities in the field of business as its easier and less time consuming to do business globally by using electronic data transfer and communication. It means all your transactions will record in online server or data base, just like website or blog or web blog. But for opening or making accounts will uses login id and password. In E-accounting the accountant and employer both feel satisfaction because, this is cheap and without software defaults or failure. Your accounts saves in online server or database, so there is no need to record manually. By this way we can save large amount of money spending on manual books and different accounting software.

Due to technological progress, both the preparation of a document and arrangement of accounting records have been carried out in electronic environment. The fast development of e-accounting has a great impact ton e-accounting. By means of this development, information is generated by the accounting system that has come to a level that generates extremely various information in a short time completely to the information users. In other words E-accounting practices have provided saving of time, synchronous and comparable presentation of financial statement has become easier. On the other hand, the electronic audit concept has been brought forward by carrying out the audit activities through electronic environment by means of electronic entries and documents. This study finds that the most significant impact of E-accounting is on the development of technology, which brings savings in time and cost of the user. E-Accounting is a borderless entity permitting anytime and anywhere banking. It has brought opportunities for companies to perform the accounting functions more effectively and efficiently. Adaption of E-accounting functions has brought a chance for the companies to progress towards paperless offices and also helps to reduce the cost of clerical works by providing sufficient space to store data and process information for management decisions in a friendly manner. Computerized accounting systems can be used by the companies in production thus it is known as user friendly accounting. Tools like electronic data interchange and electronic funds transfer can provide companies with opportunities to apply production system more effectively and save money.

E-accounting can be recognized by the following characteristics which all make for a much more efficient accounting process. 1. Multi-user access 2. Multi-site access 3. A single / multiple, shared database(s) 4. Zero system administration for end-users 5. Very **275** 

economical to provide service to large number of clients 6. Enhancements and fixes continuously developed and installed by service provider.

E-accounting impact refers to the actual benefits adopters receive from utilizing e-accounting. It is assumed that the level of integration of e-accounting is positively related to the benefits an adopter can receive. Usually, the adoption of e-accounting requires coordination between at least two organizations, the relationship between the organization and its prospective trading partner(s).

According to the Accounting Board (2000) the use of e-accounting will lead to a more efficient and reliable accounting as well as reduce the costs of accounting.

## 12.5.2 Importance of E-accounting

One of the aspects of information technology effect on enterprises and institutions is quantitative and qualitative changes of information and accounting management systems. The leading developments are that of data and activity exchange, as well as the expansion of intranet and internet information networks. Consequently, we can claim that the role of electronic information networks in releasing financial and business information of organization is unavoidable. Breakthroughs in this regard have created new expectations based on online information access and immediate reporting. Meanwhile, the internet is an information technology that takes on the greatest responsibility for altering professional processes. A wide range of various activities were skipped by (ERP). Planning for human resource which in sum involves it and aims to gather the whole amount of data and processes of an organization within a single system, and finally to improve the performance of an organization with seller and customer system, which leads to an organization of resources planning in a firm. Capable technology was intended for such e-accounting systems, which is accomplished by means of internet.

- (i) E-Accounting helps businesses keep their financial data & accounting software in a safe, secure environment, allowing real time access to authorized users, irrespective of their location or computing platform.
- (ii) This is possible due to an Application Software hosted on a remote but safe and secure environment by and ASP (Application Service Provider) that allows access to users of financial information with different levels of permission and password.

- (iii) One can send paper documents through an e-fax or by scanning and e-mailing it. Once we receive the scanned image of the document, the transaction is posted in Accounting.
- (iv) No need of in-house bookkeepers' training and expertise
- (v) No problems with employee turnover, vacations, sick leave and absenteeism
- (vi) No communication difficulties between the accountant and business owner or organization due to load / work pressure.
- (vii) The business organization can concentrate on the revenue side of business, and spend as little time as necessary on the accounting and payroll function.
- (viii) The accounting function receives attention only when a critical need arises. No time wastage.
- (ix) No Payroll related costs, FICA, workers compensation, unemployment, vacation/sick benefits, health insurance benefits, and many other expenses.
- (x) Cost saving on office space (rent for additional offices)
- (xi) Save time and money, the cost is low (in some cases: free).
- (xii) Gain greater control of finances by moving from paper records to computerized accounting software.
- (xiii) Transactions that affect the company's bank account can be sent automatically to the online accounting application.
- (xiv) They are portable. The company can access its documents from almost any computer with a broadband connection.
- (xv) If the company's computer crashes, its documents are still safe on the server.
- (xvi) Uses of E-Accounting
- (xvii) There are more than thinkable uses of computers for accounting purposes. For management accounting purpose or for that matter if you are running a company,

- you need to know exactly whether you are on schedule. That can be done if the accounts are in computers.
- (xviii) For banks, it helps like anything in interest calculation, provision for doubtful debts, writing off of debts, etc.
- (xix) For police, the use of computers means that data pertaining to all account holders in banks now can be collected and analyzed very quickly. So if police want to know if anyone has assets above his disclosed income, then they can do so far too quickly.
- (xx) Records (entries in accounts) can be kept for any amount of time in electronic format. Floods in 2005 in Mumbai showed that paper can be destroyed far too quickly. But electronic details cannot be destroyed that quickly and can be kept very safe.
- (xxi) For share trading, after introduction of computers, anyone from anywhere in world can access his de-mat account and put trade. This has helped in channelizing household savings to capital market. And records for that too can be kept for any amount of time.
- (**xxii**) For data entry level, the accuracy can be monitored quite properly. Errors of commission and omission can be caught fairly easily.
- (xxiii) Complicated calculations of computing minority interest in mergers/takeovers, calculation of NAV of mutual fund units, up to date position in derivatives segment, profit or loss in equity/derivatives/commodities/forex etc., can be done easily.
- (xxiv) Since computerization, all banks have started central processing of financial transactions like clearing and settlements. This means anywhere banking for you. You can deposit funds at one city and travel to another city and withdraw funds from there. No need to actually carry physical cash.
- (xxv) Since computerization, credit cards have come in existence. And that too are used this extensively. By use of computers, international clearing has become far too quick.

(xxvi) For making tax return preparation, compliance reporting, bank account reconciliation, financial write-up and reporting etc.

## 12.5.3 Benefit/ Cost Analysis of E-accounting

The costs and benefits of e-accounting are presented below

#### **Benefits**

- Faster cycle times these include credit approvals, payments and collections, posting of transactions, closing of the books, generation of records and more time available for higher-level analysis
- b. Continuous service availability, 24/7 access, and more satisfied internal and external customers
- c. Reduced error rates- that means fewer transactions with errors as well as fewer errors
- d. Reduced accounting staff and improved productivity
- e. Better cash management efficient payments and effective collections
- f. Cost saving in mail, paper and storage of paper
- g. Improved audit trails and security.
- h. It saves time and money.
- i. Gain greater control of finance by moving from paper records to computerized accounting software.
- j. Send sales invoice and other document directly to another business accounts for the recipient to approve without having to re-enter the information
- k. E-accounting may improve the effectiveness of accounting and reporting task, budgeting, controlling and auditing which may reflect on the organization effectiveness as well.

- Organization entire accounting project can be easily outsourced by accounting system.
- m. It generates employment opportunities for software developer and accountants.

#### Costs

- a. Investment required in computers hardware and software
- b. Initial need for expensive consultants
- c. Cost involved in systems, processes, processing of information and report generation changes
- d. Continual training and retraining needs and/or requirements personnel with specialized skills
- e. User resistance
- f. Careful attention needs to be paid to security, control and audit requirements for financial transactions during the initial configurations. If the initial configuration of the system is not correct or the integration with ERP software or legacy systems is faulty, then there are recurring costs and fewer benefits from the implementation.

## 12.5.4 Application of E-accounting

- i. E-accounting invariably offers a wide application of data processes and operation via the internet that entails other aspects such as registration, storage, business activity, production management, procurement and distribution, goods transfer, as well as after sales service. In sum, electronic accounting revolution has a process-oriented effect.
- ii. This is feasible by the use of information banks and worldwide networks. At this moment, International Accounting Federation has examined all the instruments necessary for E-accounting development and education, which in turn compatibility and synergy will be followed at international levels.
- iii. Amultitude of accounting enterprises takes benefit from the services internationally. As for the enterprises, overall discussions on journal office, ledger, record and

book keeping, cash management, receivable and payable accounts, asset management, financial analysis, financial reporting and financial statements can be pursued online using electronic services.

### 12.5.5 Advantages of E- accounting

Computerized accounting systems offer several advantages

- (i) The most important advantage of using the computer is the speed with which we can get Accounting done, anywhere, anytime. Systems for small and medium sized businesses can be purchased off the shelf at low cost.
- (ii) These programs allow managers to see the company's financial position in "real-time" and make adjustments to the business strategy as needed. Computerized systems can also provide instant reports on stock evaluation, profit and loss, customer accounts and payroll and sales analysis again, allowing faster adjustments in your business strategy.
- (iii) In addition, transactions need to be input only once, and, with some training, anyone in the company can handle the inputting. There are fewer chances for errors as only one accounting entry is needed for each transaction rather than two (or three) for a manual system.
- (iv) Accounting software allows faster data entry than manual accounting, and allows documents such as invoices, purchase orders and payroll to be collated and printed quickly and accurately.
- (v) Because of its efficiency and ease of use, computerized accounting systems also allow us to improve inventory control and payment collection, saving time and improving cash flow.
- (vi) Because computerized systems update some records automatically, our account records will always be up to date, saving time in updating.
- (vii) Many computerized accounting packages now allow a business to trade in multiple currencies with ease. Data can be kept confidential by taking advantages of security password system that most accounting programs provide.

### 12.5.6 Disadvantages of E-accounting

- (i) Using a computerized accounting system comes with its own set of problems, when a computer is used; it is possible that data can be lost because of hardware or software damage.
- (ii) Since the computer has no judgment of its own, it does not pick up on errors as a human being does. There can be loss of data due to power failure or viruses, hackers stealing data, accidents like fire etc.
- (iii) There can be loss of data or change of data due to fraud or embezzlement. Computer fraud is also a concern, and it need to instigate a system of controls for who has access to the information, particularly customer information. If there is a security breach and data is stolen, management can be held personally liable for the loss of data.
- (iv) Wherever a computer is used to handle an organization's accounts, it can be used as a means of attacking the funds it controls.
- (v) In most computerized bookkeeping systems, it is the computer which effectively causes credit transfer; so by establishing false accounts, or diverting some of the contents of the real ones, credit can reach a false beneficiary.
- (vi) The system can also be used to conceal a change in the cost, or the illegitimate acquisition or the destruction of tangible goods and services. Fraud and embezzlement are usually achieved on a computer system by altering data or programs.
- (vii) There are numerous techniques, varying from additions and deletions to input data, through changing the standing information files, modifying the behavior of programs, to duplicating or suppressing output. Although most frauds that have been reported had gone on for some time, it could be that one shot frauds have been more frequent but more often escape detection.
- (viii) Other: There are some other problems in application of E-accounting:
- a. In present era, available online office suites require a high speed of broadband internet connection.

- b. All the data of the company resides on a remote server, however a back up can be taken on regular basis.
- c. E-accounting lacks some features available on the offline office suits.
- d. A network connection is always required to send and receive changes. Internet dependency makes it more difficult to work offline.

## **Check Your Progress-3**

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

Choose the correct answer from the four options a, b, c and d.

- i. E-Accounting helps businesses keep their financial data & accounting software in a ..... environment.
  - a. Safe and secure
- b. Research
- c. Business
- d. Operational
- ii. E-Accounting allows real time access to ......
  - a. Accountant
- b. Authorised user
- c. Expert
- d. Auditor
- iii. ...... allows access to users of financial information with different levels of permission and password:
  - a. SBN
- b. ISPN
- c. ASP
- d. ISAN
- iv. In E-accounting your accounts saves in .....
  - a. Mails b. Memorandum of association c. Article of association d. Online Server/- Database

#### 12.6 LET US SUM UP

The first and most important function of financial statement is ,of course, to serve those who control and direct the business, to the end of securing the profits and maintaining a sound financial condition. Objectives of Analysis and Interpretation is to judge the financial health of the undertaking, to judge the earnings performance of the company identifying

companies having growth potential and a sound financial base, to judge the ability of the company to pay the principal and interest. Financial statements can be subjected to two types of analysis-Trend analysis and Structural analysis. E-accounting is also new development in the field of accounting. In this system, every document and records exist in digital form instead of on paper. All major institutions and organizations at national and international level are in the favour of e-accounting. In other words electronic accounting practices have provided saving of time, synchronous and comparable presentation of financial statement become easier.

#### 12.7 LESSON END EXERCISE

### Long answers type questions

- Q1. Explain the process of audit in detail?
- Q2. What do you understand by financial statement? What are the various analytical tools of interpreting financial statements?
- Q3. Explain the concept of E accounts and demonstrate its benefit/cost analysis?

#### Short answers type questions

- Q1. What is auditing and its uses.
- Q2. Who are the ultimate user of financial statements and describe its advantage?
- Q3. What are the challenges of E-accounting

#### 12.8 SUGGESTED FURTHER READING

Amidu, M., Effah, F., & Abor, F. (2011). E-accounting practices among small and medium enterprises in Ghana. *Journal of Management Policy and Practices*, 12(4).

David, W. G. (1980). A comparison between the attribute profiles of profitable and unprofitable companies in the United Kingdom and Canada management. *International Review*, 20(4), 32-40.

Kiran, J. (1989). Financial ratio analysis comes to non-profit. *The Journal of Higher Education*, 60(2), Published by: Ohio State University Press.

Kumar, S., & Jain, P. (2012). What and why E-accounting? The Economic Challenger, 14(55).

Verma, S. (2012). E-accounting: Problem and prospects, finance and investment. *The Academy of Management Journal*, 25(1). Published by: Academy of Management Chabotar.

#### 12.9 ANSWERS TO CHECK YOUR PROGRESS

### **Answer to Check Your Progress-1 (A)**

- a. Auditing is concerned with the verification of accounting data determining the accuracy and reliability of accounting statements and reports
- b. Main objectives: The objective is to ensure that the accounts reveal a true and fair view of the business and its transactions

Subsidiary: Detection and prevention of fraud

- 1. Manipulation, falsification or alteration of records or documents
- 2. Misappropriation of assets.
- 3. Suppression of effect of transactions from records or documents.
- 4. Recording of transactions without substance.
- 5. Misapplication of accounting policies
- 6. Error in vouching, ledger etc.

## **Answer to Check Your Progress - 1 (B)**

- i. T
- ii. T
- iii. F
- iv. T
- v. F

# **Answers to Check Your Progress-2**

- i. a
- ii. d
- iii. b
- iv. c

# **Answer to Check Your Progress-3**

- i. a
- ii. b
- iii. c
- iv. d